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DIVISION [redacted]

NUMBER [redacted] N169 V3

Volum[redacted]

Source [redacted]

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THE NETHERLANDS AND THE WORLD WAR

STUDIES IN THE WAR HISTORY OF A NEUTRAL

VOLUME III

ECONOMIC AND SOCIAL HISTORY OF THE WORLD WAR

JAMES T. SHOTWELL, LL.D., *General Editor.*

NETHERLANDS SERIES

H. B. GREVEN, LL.D.

FORMERLY PROFESSOR ORDINARIUS OF POLITICAL ECONOMY AND STATISTICS AT THE UNIVERSITY OF LEIDEN

Editor for the Netherlands.

THE NETHERLANDS AND THE WORLD WAR

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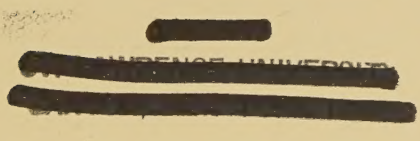
THE EFFECT OF THE WAR UPON THE COLONIES

By Professor J. H. CARPENTIER ALTING, LL.D.
FORMERLY MEMBER OF THE COUNCIL OF NETHERLANDS INDIA
AND
Mr. W. DE COCK BUNING
TRADE COMMISSIONER FOR THE NETHERLANDS EAST INDIES



NEW HAVEN : YALE UNIVERSITY PRESS
LONDON : HUMPHREY MILFORD : OXFORD UNIVERSITY PRESS
FOR THE CARNEGIE ENDOWMENT FOR INTERNATIONAL
PEACE : DIVISION OF ECONOMICS AND HISTORY
1928

Dd
285
.N48
v.3

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Printed in the United States of America

EDITOR'S PREFACE

In the autumn of 1914, when the scientific study of the effects of war upon modern life passed suddenly from theory to history, the Division of Economics and History of the Carnegie Endowment for International Peace proposed to adjust the program of its researches to the new and altered problems which the War presented. The existing program, which had been prepared as the result of a conference of economists held at Berne in 1911, and which dealt with the facts then at hand, had just begun to show the quality of its contributions; but for many reasons it could no longer be followed out. A plan was therefore drawn up at the request of the Director of the Division, in which it was proposed, by means of a historical survey, to attempt to measure the economic cost of the War and the displacement which it was causing in the processes of civilization. Such an "Economic and Social History of the World War," it was felt, if undertaken by men of judicial temper and adequate training, might ultimately, by reason of its scientific obligations to truth, furnish data for the forming of sound public opinion, and thus contribute fundamentally towards the aims of an institution dedicated to the cause of international peace.

The need for such an analysis, conceived and executed in the spirit of historical research, was increasingly obvious as the War developed, releasing complex forces of national life not only for the vast process of destruction, but also for the stimulation of new capacities for production. This new economic activity, which under normal conditions of peace might have been a gain to society, and the surprising capacity exhibited by the belligerent nations for enduring long and increasing loss—often while presenting the outward semblance of new prosperity—made necessary a reconsideration of the whole field of war economics. A double obligation was therefore placed upon the Division of Economics and History. It was obliged to concentrate its work upon the problem thus presented, and to study it as a whole; in other words, to apply to it the tests and disciplines of history. Just as the War itself was a single event, though penetrating by seemingly unconnected ways to the remotest parts of the world, so the analysis of it must be developed

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according to a plan at once all embracing and yet adjustable to the practical limits of the available data.

During the actual progress of the War, however, the execution of this plan for a scientific and objective study of war economics proved impossible in any large and authoritative way. Incidental studies and surveys of portions of the field could be made and were made under the direction of the Division, but it was impossible to undertake a general history for obvious reasons. In the first place, an authoritative statement of the resources of belligerents bore directly on the conduct of armies in the field. The result was to remove as far as possible from scrutiny those data of the economic life of the countries at war which would ordinarily, in time of peace, be readily available for investigation. In addition to this difficulty of consulting documents, collaborators competent to deal with them were for the most part called into national service in the belligerent countries and so were unavailable for research. The plan for a war history was therefore postponed until conditions should arise which would make possible not only access to essential documents, but also the coöperation of economists, historians, and men of affairs in the nations chiefly concerned, whose joint work would not be misunderstood either in purpose or in content.

Upon the termination of the War, the Endowment once more took up the original plan, and it was found with but slight modification to be applicable to the situation. Work was begun in the summer and autumn of 1918. In the first place a final conference of the Advisory Board of Economists of the Division of Economics and History was held in Paris, which limited itself to planning a series of short preliminary surveys of special fields. Since, however, the purely preliminary character of such studies was further emphasized by the fact that they were directed more especially towards those problems which were then fronting Europe as questions of urgency, it was considered best not to treat them as part of the general survey, but rather as of contemporary value in the period of war settlement. It was clear that not only could no general program be laid down *a priori* by this conference as a whole, but that a new and more highly specialized research organization than that already existing would be needed to undertake the Economic and Social History of the War, one based more upon national grounds in the first instance, and less upon purely international coöperation. Until the facts of

national history could be ascertained, it would be impossible to proceed with comparative analysis; and the different national histories were themselves of almost baffling intricacy and variety. Consequently the former European Committee of Research was dissolved, and in its place it was decided to erect an Editorial Board in each of the larger countries and to nominate special editors in the smaller ones, who should concentrate, for the present at least, upon their own economic and social war history.

The nomination of these boards by the General Editor was the first step taken in every country where the work has begun. And if any justification were needed for the plan of the Endowment, it at once may be found in the lists of those, distinguished in scholarship or in public affairs, who have accepted the responsibility of editorship. This responsibility is by no means light, involving as it does the adaptation of the general editorial plan to the varying demands of national circumstances or methods of work; and the measure of success attained is due to the generous and earnest coöperation of those in charge in each country.

Once the editorial organization was established there could be little doubt as to the first step which should be taken in each instance towards the actual preparation of the history. Without documents there can be no history. The essential records of the War, local as well as central, have therefore to be preserved and to be made available for research in so far as is compatible with public interest. But this archival task is a very great one, belonging of right to the governments and other owners of historical sources and not to the historian or economist who proposes to use them. It is an obligation of ownership; for all such documents are public trust. The collaborators on this section of the war history, therefore, working within their own field as researchers, could only survey the situation as they found it and report their findings in the forms of guides or manuals; and perhaps, by stimulating a comparison of methods, help to further the adoption of those found to be most practical. In every country, therefore, this was the point of departure for actual work; although special monographs have not been written in every instance.

The first stage of the work upon the war history, dealing with little more than the externals of archives, seemed for a while to exhaust the possibilities of research, and had the plan of the history been limited to research based upon official document, little more

could have been done, for once documents have been labeled "secret" few government officials can be found with sufficient courage or initiative to break open the seal. Thus vast masses of source material essential for the historian were effectively placed beyond his reach, although much of it was quite harmless from any point of view. While war conditions thus continued to hamper research, and were likely to do so for many years to come, some alternative had to be found.

Fortunately such an alternative was at hand in the narrative, amply supported by documentary evidence, of those who had played some part in the conduct of affairs during the War, or who, as close observers in privileged positions, were able to record from first- or at least second-hand knowledge the economic history of different phases of the Great War, and of its effect upon society. Thus a series of monographs was planned consisting for the most part of unofficial yet authoritative statements, descriptive or historical, which may best be described as about halfway between memoirs and blue-books. These monographs make up the main body of the work assigned so far. They are not limited to contemporary war-time studies; for the economic history of the War must deal with a longer period than that of the actual fighting. It must cover the years of "deflation" as well, at least sufficiently to secure some fairer measure of the economic displacement than is possible in purely contemporary judgments.

With this phase of the work, the editorial problems assumed a new aspect. The series of monographs had to be planned primarily with regard to the availability of contributors, rather than of source material as in the case of most histories; for the contributors themselves controlled the sources. This in turn involved a new attitude towards those two ideals which historians have sought to emphasize, consistency and objectivity. In order to bring out the chief contribution of each writer it was impossible to keep within narrowly logical outlines; facts would have to be repeated in different settings and seen from different angles, and sections included which do not lie within the strict limits of history; and absolute objectivity could not be obtained in every part. Under the stress of controversy or apology, partial views would here and there find their expression. But these views are in some instances an intrinsic part of the history itself, contemporary measurements of facts as significant as the

facts with which they deal. Moreover, the work as a whole is planned to furnish its own corrective; and where it does not, others will.

In addition to the monographic treatment of source material, a number of studies by specialists are already in preparation, dealing with technical or limited subjects, historical or statistical. These monographs also partake to some extent of the nature of first-hand material, registering as they do the data of history close enough to the source to permit verification in ways impossible later. But they also belong to that constructive process by which history passes from analysis to synthesis. The process is a long and difficult one, however, and work upon it has only just begun. To quote an apt characterization; in the first stages of a history like this, one is only "picking cotton." The tangled threads of events have still to be woven into the pattern of history; and for this creative and constructive work different plans and organizations may be needed.

In a work which is the product of so complex and varied coöperation as this, it is impossible to indicate in any but a most general way the apportionment of responsibility of editors and authors for the contents of the different monographs. For the plan of the History as a whole and its effective execution the General Editor is responsible; but the arrangement of the detailed programs of study has been largely the work of the different Editorial Boards and divisional Editors, who have also read the manuscripts prepared under their direction. The acceptance of a monograph in this series, however, does not commit the editors to the opinions or conclusions of the authors. Like other editors, they are asked to vouch for the scientific merit, the appropriateness and usefulness of the volumes admitted to the series; but the authors are naturally free to make their individual contributions in their own way. In like manner the publication of the monographs does not commit the Endowment to agreement with any specific conclusions which may be expressed therein. The responsibility of the Endowment is to History itself—an obligation not to avoid but to secure and preserve variant narratives and points of view, in so far as they are essential for the understanding of the War as a whole.

J. T. S.

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THE EFFECT OF THE WAR UPON THE COLONIES

CHAPTER I

GENERAL SURVEY

The economic importance of the oversea provinces belonging to the Kingdom of the Netherlands is due mainly to the fact that they are indispensable for providing various countries with large quantities of raw materials and products of colonial agriculture, while, on the other hand, they depend on those regions for obtaining such manufactured articles and necessities of life as textiles, machinery, tools, tinned foods, and the like. The result is an extensive international commercial traffic which shows that oversea colonies likewise are governed by the maxim that in the modern world all countries are economically dependent upon each other. This truth stood out in very bold relief in 1914 and the succeeding years, when the belligerents' control of the commercial routes and of trade and industry led to an entire shifting of colonial commerce.

In this treatise we shall describe the reaction of the oversea provinces of the Netherlands to the situation created by the War and the way in which they succeeded in adapting themselves to the sudden change in conditions; and we shall also endeavor to show how events in Europe during and after the World War influenced the mode of thought of the native population, as well as the political relations between the mother country and the colonies.

Although we may presuppose that the reader has some knowledge of the Netherlands oversea colonies, we shall do well to begin with a summary of the social, economic, and political situation of these regions. For this purpose we shall avail ourselves as much as possible of the latest statistics, so as to gain a general impression of the present significance of these areas both as outlets for many industrial products and as sources of raw materials, foodstuffs, and luxuries.

The Netherlands' colonial empire includes (a) the Netherlands East Indies, *i.e.*, the archipelago between Australia and southeastern Asia, and (b) the Netherlands West Indies, consisting of Surinam,

i.e., Dutch Guiana on the northern coast of South America, and Curaçao, including the following islands in and round the Caribbean Sea: Curaçao, Oruba, Bonaire, a portion of St. Martin, St. Eustatius, and Saba.

As compared with the Netherlands East Indies, the economic significance of the West Indian regions is very small, as is shown by the following approximate figures.

	Netherlands West Indies	*Netherlands East Indies*
Land area	161,000 *square kilometers*	2,000,000 *square kilometers*
Population	167,000	50,000,000
	guilders	*guilders*
Imports in 1923	22,000,000 ($8,800,000)	654,000,000 ($261,600,000)
Exports in 1923*	10,000,000 ($4,000,000)	1,378,000,000 ($551,200,000)

* Crude oil imported to the value of 17 million guilders for a refinery on the island of Curaçao and the four oil products exported to the value of 14 million guilders are not included in these figures.

Except for the island of Curaçao, where the Curaçao Petroleum Company has recently established a refinery which has caused an economic revival, and where exports of phosphoric lime to the annual value of about two million guilders are also of some note, the West Indian islands are of so little importance that we shall limit ourselves to a very brief account of them. Although Surinam, with its area of nearly 160,000 square kilometers, may become very important, the part which this portion of the Netherlands colonies has played during and after the War in the commercial traffic of the world is so exceedingly small that attention should be directed almost exclusively to the important events which were enacted in the Netherlands East Indies.

Obviously, Surinam also has suffered from the cessation of shipping traffic and has been affected by the development of commerce and credit. In particular the sharp decline in the prices of some articles of produce, the rise of the cost of production, and the paralysis of the spirit of enterprise have adversely and very seriously affected its development during the past ten years; and for this colony, with its low power of resistance these phenomena mean a longer stagnation than for the Netherlands East Indies with their richer and much more varied production. Nevertheless, all those war

influences which we might trace in the development of the West Indies must also be mentioned in our review of the Netherlands eastern colonies and more stress must be laid upon them there, since they are of infinitely greater moment for the commercial traffic of the world.

Those symptoms are much more interesting in the Netherlands East Indian archipelago because the native population, which is rapidly increasing, has been affected very strongly both in economics and in ideals by the events enacted in its vicinity as well as in Europe.

In the Netherlands East Indies there are nearly fifty millions of people, who indeed vary greatly among themselves in development and in disposition, but who belong in overwhelming majority to the same race, with strong vitality and excellent natural aptitude, and whose growing self-consciousness is striving for higher development, whereby they hope to ensure independence for their country in the future.

In the West Indies, on the other hand, there are, besides the Europeans and the descendants of the negro slaves, only a few thousand natives (Indians), without any visible impulse towards development or independence or any political aspirations.

For that reason we think that it will be sufficient to deal mainly with the East Indian part of the Netherlands' colonial empire in this chapter and to refer to her West Indian possessions only if the events during the years between 1913 and 1923 happen to require such allusion.

First, however, we must give a general survey of the East Indian archipelago and the economic development of those regions during the years 1900 to 1913.

CHAPTER II

POLITICAL SURVEY

We have previously stated that the total land area of the archipelago is 2,000,000 square kilometers, though that of the entire region, including the inland seas, is about five times as large. The distance by sea from the westernmost point to the easternmost point is about 3,000 nautical miles, which is farther than from America to England.

The largest islands are Borneo (as large as France), Sumatra (as large as California), part of New Guinea (as large as Japan), Celebes and the neighboring islands (as large as New Zealand and Ceylon), and Java and Madura (as large as the State of New York). Furthermore there are the Lesser Sunda islands, the Moluccas, and a very large number of small islands.

The most densely peopled is Java, with a native population of about 35,000,000 (712 inhabitants to the square mile), who, like the inhabitants of the other islands, belong mostly to the Malayo-Polynesian race and are nearly all Mohammedans, though there are some 25,000 native Christians. Over and above this, more than 135,000 Europeans, 385,000 Chinese, and 28,000 Arabs live there. The total population of all the other islands does not exceed 15,000,000, of whom over 14,000,000 are natives, over 425,000 Chinese, and 34,000 Europeans.

The 14,000,000 Indonesians (natives) are divided over the various islands about as follows:

Sumatra	6,000,000
Celebes	3,000,000
Borneo	1,500,000
New Guinea	200,000
Lesser Sunda Islands	2,600,000
Other islands	700,000
Total	14,000,000

In these islands also, Islam is the prevailing religion. Upcountry and in the small islands there are, however, a great many heathen

(animists), but the Christian missionaries have met with considerable success, especially in northern Celebes and in the islands of Amboyna and Timor. In Celebes there are no less than 230,000 native Christians, in Sumatra there are over 170,000, and in the various smaller islands more than 125,000.

Of the 35,000 Europeans who live in the outer possessions, nearly 20,000 are in Sumatra (8,000 in the East Coast province of Sumatra), while there are 6,000 in Celebes and 4,000 in Borneo, the remaining 5,000 being scattered over the smaller islands.

The great majority of the Europeans (155,000) are of Netherlands nationality, very many of them being the offspring of marriages with Indonesian women. From the legal point of view these Eurasians (called Indo-Europeans in the Netherlands East Indies) are on a complete equality with pure Europeans, though there are differences in social position. The educated Eurasian may be met in the Netherlands East Indies in all circles, both in those of the higher officials and in those of officers, manufacturers, and merchants. Isolation or an enforced position in the background on account of racial prejudice is not thought of. The position is otherwise, however, in the case of the less well-trained. This so-called Indo-European class includes in the first place the clerk-proletariate, who occupy the less lucrative and less important posts in government and commercial offices, and in the agricultural industry. They are the permanent "residents" whose financial position has caused them to remain in the Indies from generation to generation, so that they are slightly different, in their special tendencies and habits, from the Netherlanders whose sojourn is only temporary. They are in a somewhat difficult position, because on the one hand they are obliged to compete with workers who come from the mother country, and on the other hand they feel themselves threatened by the powerful intellectual development of the native population and of the foreign orientals (especially the Chinese) who are generally economically stronger than themselves. In their endeavors to maintain and to improve their economic position, they are energetically supported by the Government of the Netherlands East Indies, so that charges of neglect of the interests of the Eurasian population are no longer heard, and they manifest little inclination to join the native nationalistic parties.

The remaining Europeans include 3,400 Germans, 1,700 Brit-

ish, 400 French, 600 Belgians, 300 Americans, and also Swiss, Scandinavians, Italians, etc. Except for the service of the State, which requires about 31,000 Netherlanders, nearly all these Europeans gain their livelihood in agricultural industry and in commerce.

Of these 31,000 Netherlanders in government service, only about 8,000 serve with the army and the police, and about 1,500 with the Royal Navy. The entire strength of the army does not exceed 33,000 men, of whom 26,000 are natives, mostly Javanese (10,500) and Amboynese (7,000). The *matériel* of the Royal Navy stationed in, or intended for, the Netherlands East Indies, is of modest amount—an ironclad, two cruisers, and a small number of destroyers, torpedo boats, submarines, mine layers, transports, etc.

The personnel of the Royal Navy in the Netherlands East Indies does not, as a rule, exceed 3,000 men, of whom half are natives. Although the army and navy are of small dimensions, they have for many years proved adequate to maintain the authority of the Netherlands East Indian Government in a region of which the length is equal to the distance from Ireland to the Caspian, and the width equal to the distance between Russia and Italy. The assistance of the army has to be invoked very seldom in order to maintain domestic tranquillity and order; the general police and the gendarmerie, not exceeding 38,000 men in all, are able to ensure safety and protection to 50,000,000 people of widely varying civilization and education. These figures prove that the Government employs other means than the army and the police for securing the reign of law.

This means consists of the administrative policy. Its main characteristic is the use of the authority of the native chiefs; and this applies both to those regions which are administered directly by Netherlands officials and to the native states, which, now numbering 294, are governed directly by native princes or chiefs, or by councils of native chiefs.

In contradistinction to the other parts of the Netherlands East Indies, these areas, as a rule, are called "indirectly governed regions." They are all included in the governments or residencies which make up the Netherlands East Indies administration, and the task of the head of the provincial administration, the Governor or Resident, is formally limited to supervision; in those parts of the Indies, therefore, he does not govern the native population directly.

Most of these states are of little importance; more noteworthy are the four native principalities in the residencies of Surakarta and Jokjokarta in Java and the sultanates of Kutei (Borneo), Deli, Serdang, Assahan, and Siak (East Coast of Sumatra), and Bima (the island of Sumbawa, the residency of Timor, and dependencies).

Governors and Residents are responsible for their administration to the Governor-General alone, but at the same time in carrying out their duties they are bound to follow the instructions of the heads of the Departments of General Administration which are given on behalf of the Governor-General.

The Government of the Netherlands East Indies as a whole is entrusted to a Governor-General appointed by the Crown, to whom he is responsible, and whose instructions he is bound to observe. In the general administration he is assisted by the Council of the Netherlands East Indies, consisting of a vice-president and four members, all of whom, like the Governor-General himself, are Netherlanders and are appointed by the Crown. This Council, generally speaking, acts as an advisory body, but in some cases the Governor-General is obliged to receive its assent.

Under the command and supervision of the Governor-General, the various branches of general administration are managed by chiefs, *viz.*, the commander-in-chief of the army, the commander-in-chief of the navy, and the seven civil directors of the Departments of Law, Home, Finance, Public Instruction and Public Worship, Agriculture, Industry and Commerce, Civil Public Works, and Government Works. The two military departmental chiefs are appointed by the Crown, the civil chiefs by the Governor-General.

At present general legislation is still in the hands of the following sequence of authority: (a) the Netherlands Legislative Power in the Netherlands, (b) the Crown (only after consultation with the Council of State in the Netherlands), and (c) the Governor-General (in collaboration with the Council of the Netherlands East Indies). Their promulgations are termed *Laws*, *Royal Decrees*, and *Ordinances*, respectively. For establishing ordinances the Governor and the Council of the Netherlands East Indies must follow the commands, if any are given, of the Crown; if the Crown has thus cooperated in the enactment of an ordinance, it is generally called a *Crown Ordinance*. The general representative body, or *Volksraad*

(People's Council), has as yet received no legislative power, but possesses merely an advisory authority.

After consulting the Council of the Netherlands East Indies and having heard the opinion of the *Volksraad*, the Governor-General provisionally determines the general government budget of revenue and expenditure; but it is definitely established by the Legislative Body in the Netherlands, which is not bound to adopt the provisional arrangement.

Mention should also be made of the Decentralization Law of 1903, under which all residencies of Java and Madura, various subsections of residencies in the other islands, and all towns of any importance have local councils, of which residents of the residency, subsection of the residency, or town are members. Where these councils are created, they are charged with local interests, and for this purpose they receive subsidies from the general treasury and also collect certain rates which they are authorized to levy under government supervision. In their turn the members of these local councils unite to form an electoral board which appoints about half the members of the *Volksraad*. By virtue of special regulations the natives are represented both in the local councils and in the *Volksraad*, and in the islands outside of Java and Madura they alone sometimes compose the former.

The system here outlined will soon be modified in accordance with the amendment of the Constitution of the Netherlands and further organic legislation in 1922 and the years following. In this change, the principle has been adopted that the management of domestic affairs in the Netherlands East Indies, Surinam, and Curaçao should be entrusted to organizations established in those areas, and that the power of the Crown should be limited to cases to be indicated expressly by law, *i.e.*, by the Legislative Body in the Netherlands. The Government in the Netherlands East Indies, therefore, will inevitably become more independent. In accordance with this principle the bill recently adopted for the amendment of the Colonial Fundamental Law enacts that, except where the Legislative Body in the Netherlands reserves certain subjects within its competence, legislation will be vested in the Governor-General together with the *Volksraad*, which will thus obtain co-legislative functions. Furthermore, the government budget will be determined by the same authorities, subject to approval by the Legislative Body in the

Netherlands. Finally, under a system already adopted, provinces will be created gradually in certain parts of the Netherlands East Indies, such as Western Java, Central Java, Eastern Java, Southern Sumatra, Celebes, Amboyna, and the Moluccas, in which the provincial authorities will assume the task hitherto discharged by the general governmental bodies.

In Surinam and Curaçao, the system is somewhat different. In those colonies a representative body,—the Colonial States in Surinam, entirely elected, and in Curaçao the Colonial Council, wholly appointed, by the Crown,—has had a share in all legislative matters since 1865. There, however, the direct intermediation of the Crown both in administration and in legislation is much greater than in the Netherlands East Indies. The Governor of the Colony, indeed, is required "to execute the commands of the King exactly." Since both these West Indian Colonies still receive subsidies from the Royal Treasury, *i.e.*, from the Netherlands, the annual budgets, under the provisions of the Fundamental Laws of these territories, are determined entirely by the Legislative Body in the Netherlands, the figures drawn up in the Colonies themselves being only provisional, and amounting to no more than the expression of a desire. Neither Surinam nor Curaçao has local councils such as are found in the Netherlands East Indies. Surinam is administratively divided into districts governed by Commissioners; in Curaçao, the islands with the exception of the largest one are ruled by civil administrators, who, each with two assessors, or local councilors, constitute a police council which possesses a restricted legislative power for its island.

We should note expressly that the Netherlands East Indies, as well as Surinam and Curaçao, are, financially speaking, separate territories, so that the finances of each are distinct from those of the mother country. Since, however, as we have already seen, the revenues of Surinam and Curaçao are not yet sufficient to defray all expenditure, their financial independence is less important than that of the Netherlands East Indies. In the latter, moreover, the areas of the local councils are financially independent. They may, like the Netherlands East Indies, Surinam, and Curaçao, contract loans, as has been done successfully more than once, especially by certain large towns.

The administration of justice in the three oversea possessions is exercised everywhere on behalf of the Government and, therefore,

by judges appointed by the Government, except in those parts of the Netherlands East Indies where the native population still retain their jurisprudence, as is the case with most of the self-governing provinces outside Java and Madura and in a few small parts of the territories under direct government administration.

CHAPTER III

THE GOVERNMENTAL ECONOMIC SYSTEM OF THE NETHERLANDS EAST INDIES

The extent and the importance of the governmental economic system of the Netherlands East Indies may best be studied from the State budget of revenue and expenditure. We shall deal with the most important items of the budget for 1925, because, for the first time after the War, this shows a return to normal, and it thus gives a correct impression of the financial position of this area. A few figures will be quoted from previous periods so far as necessary, and we also propose to devote a special chapter to the influence of the War on the government budget.[1] We shall then observe that although the amounts of the various items have strongly fluctuated and have generally increased during recent years, the system and the extent of the financial administration of the oversea territories have remained fundamentally the same. Despite the World War, the Netherlands East Indies have been able to continue in the way they were going before the conflict. There, as well as in Surinam and in Curaçao, a continuous evolution may be observed; fortunately, revolution is out of the question. In taking the 1925 budget as a basis rather than those of 1913 or 1914, we have planned to devote full attention in this chapter to the political, social, and economic situation, so that in our subsequent discussion of the influences of the War it will be sufficient to point to the most salient differences and consequences.

For the year 1925, the estimates were as follows:

	guilders
Revenue	652,000,000
Expenditure	690,000,000

The latter, however, includes about 45 million guilders of capital outlay for governmental enterprises, and since this yields ample interest it may be covered by loans. The ordinary expenditure, therefore, amounts to 645 millions and is covered by the revenue of the State.

[1] *See* below, p. 119.

The revenue is derived from

	(*in millions of guilders*)
Government enterprise and monopolies	284
Taxes	265
Sundry receipts from school fees, rates, concessions, minting, etc.	103
Total	652

Expenditure comes under the following headings:

	(*in millions of guilders*)
Government enterprises and monopolies	152
Army (including pensions)	93
Navy (including 10 millions for expansion of the fleet)	45
Government charges, collection of taxes, and sundry expenses	81
Interest and sinking fund of the Netherlands East Indies debt	87
Salaries, pensions, traveling expenses of civil servants, etc.	75
Public instruction	40
Civil public works (buildings, irrigation, etc.)	30
Justice, police, prisons	20
Civil medical service	16
Agriculture, commerce, industry, mining, etc.	6
Total	645

Obviously the government enterprises and monopolies furnish the largest items of the budget. The monopolies are only three in number: opium, pawnshops, and salt.

Since 1894 the Netherlands East Indian Government has controlled the exploitation of opium in the island of Madura, in order to be able to check abuses of the drug and to put an end to the serious situation caused by the farming system formerly applied to the entire archipelago. Some years later, the State monopoly for the production and sale of opium was introduced in Java; after 1913 it was extended to almost all the other islands, and finally in 1920 to New Guinea.

The crude opium is purchased in Bengal and worked up in Java, where officials sell it directly to persons who must have a personal permit. Private trading in opium is prohibited everywhere, and it cannot be supplied to persons under eighteen years of age. The civil

service supervision of the consumption of the drug and the successful suppression of smuggling have already reduced the sale of opium very considerably, as may be seen from the downward curve in the receipts. In 1921 these still amounted to 61 millions of guilders, but the estimate for 1925 was only 38 million. The net profit of the opium monopoly is estimated at 28 million.

Before the introduction of the government opium monopoly, the sale of the drug was entirely in the hands of Chinese, and they alone operated the pawnshops, for which they paid a fixed amount to the State. They demanded, however, a rate of interest which was often exorbitant, and other usurious practices also resulted from the system. To abolish all these abuses the Government has gradually taken over the pawnshops since 1903, with the twofold result that usury has been energetically opposed, and that the revenue has been increased by the net profits of the business, which is estimated at 17 million guilders for 1925.

The third monopoly, that of salt, is purely fiscal in character. The salt is obtained by the evaporation of sea water and is worked up into blocks. The revenue derived from this monopoly amounts to about 12 million guilders annually.

The government enterprises may be divided into two groups: (a) such government services as railways and tramways, posts, telegraphs, telephones, harbor services, etc.; and (b) government exploitation of mines and agricultural estates, of which the principal are forests, tin and coal mines, and government rubber plantations.

The net profits on the first group are estimated at 31 million guilders of which 21 million accrue from railways and tramways, and on the second group at 44 million guilders of which 31 million alone come from the famous Banka tin mines.

The total net revenue derived from the operation of government enterprises and monopolies amounts, therefore, to 132 million guilders.

This profit is obtained on a capital of over 1.3 billion[2] guilders, of which about 700 million have been invested in roads and means of transport by land (railways, tramways, motorcar services, etc.), nearly 200 million in ports, waterways, dredging, etc., about 80 million in the monopolies, 60 million in posts, telegraphs and tele-

[2] Billion, as used throughout this series, is according to American usage: one thousand million.

phones, and the balance in the government enterprises of mining, forestry, and agriculture, as well as in such smaller official establishments as government printing offices, water-power works, etc.

Since the entire Public Debt of the Netherlands East Indies, which in 1925 amounted to about 1,225 million, is still below the total of the above-mentioned capital invested (the funded debt in 1925 came to some 1,105 million guilders), one is justified in stating that the financial position of this colonial empire is thoroughly sound. Before the War, however, its status was much more favorable, and in 1913 the debt amounted to little over 100 million guilders. This particularly advantageous situation had been attained by the practice of defraying extraordinary expenditure from ordinary revenue. The result of this policy, on the one hand, was too slow development of the colony and of its population, but, on the other hand, it contributed not a little to enable the Netherlands East Indies to overcome the consequences of the War.

Nevertheless, 86 million guilders must still be provided annually from the ordinary revenue for the interest and sinking fund of the debt, *i.e.*, one-eighth of the total government expenditure, and this is obviously a heavy charge in the budget. Accordingly, many expenses deemed desirable for the prosperity of the population must be struck off the list for the present, and for some time to come the Government of the Netherlands East Indies cannot even think of any considerable reduction of taxes.

The 265 million guilders which must be raised by taxation are derived from

	(*in millions of guilders*)
Import and export duties, excise, retribution, etc.	115
Income tax and poll tax levied on natives*	56
Company tax	50
Ground tax, tax on real estate, and sundries	44
Total	265

* Poll tax is levied on natives in lieu of military service or labor.

Of this amount about 120 million guilders are paid by the native population and 145 million by Europeans and foreign orientals. This shows at once the vast economic difference between the native and foreign population in favor of the latter, which numbers one

million persons against about 49 million natives. The burden, however, is not so light for the native as might be deduced merely from this statement, since he is obliged to bear rather heavy charges for his village, where, among other things, he must contribute his share towards the upkeep of the village roads and give his quota of the salary of the village administration, which to some extent is paid in kind, *i.e.*, in labor.[3] The chief contributions of Europeans to the revenue consist of income and company taxes, and also of ground taxes and duties on houses, domestic servants, etc.

The limited liability companies established in the Netherlands East Indies have been obliged, during and after the War, to pay a number of special and very complicated assessments, which may be classed under the general heading of emergency taxation. Since the beginning of 1925, these imposts have been fused in a single company tax which amounts to 10 per cent of the net profit of the companies, plus 2½ per cent supertax, thus bringing the total up to 12½ per cent.

This impost is estimated to yield 50 million guilders, which shows that the taxable profit is reckoned at 400 million guilders. Since the capital invested in limited companies operating in the Netherlands East Indies is estimated at 2,500 million guilders, the conclusion might be drawn that the return on capital thus invested amounts to 16 per cent per annum, but we must note that the estimate of a profit of 400 million guilders is based upon a favorable market situation for the produce of the colonies concerned.

At all events, the average of good and bad years may safely be set at a net yield of 300 million guilders, or about 12 per cent of the capital of the companies, part being applied to the reserve, and the major portion, in the shape of dividends, being paid to the shareholders, who generally reside abroad. Despite the very satisfactory figures given here, it should not be inferred that every enterprise enjoys such prosperity, for besides many companies which are in a precarious or, in some cases, a hopeless condition in consequence

[3] We may here remark that the village or, rather, the native commune generally occupies, in a certain measure, an independent place in the administrative system of the Netherlands East Indies; but the communities formed by popular institutions and not by governmental authority have the right to regulate and administer their own affairs under the supervision and authority of the Government.

of inadequate preparation, inefficient management, or *force majeure*, there are others, such as private railways and tramway enterprises, which seldom reach a net profit of 10 per cent on the capital invested. On the other hand, a number of establishments in the Netherlands East Indies, especially the well-known tobacco and sugar estates, show an almost uninterrupted series of dividends of over 20 per cent, whereas dividends exceeding 50 per cent in favorable years are by no means rare.

We have remarked above that the profits of these limited companies are generally paid to shareholders in the Netherlands, Great Britain, France, etc. If, then, the Government of the Netherlands East Indies really desires to turn the exploitation of its colonial empire to the benefit of the country and people, they cannot do so without tapping the profits at their very source. A moderate tax of 12½ per cent on the profits of the limited companies is not only necessary from a fiscal point of view, but is also defensible from the standpoint of justice to a region which offers an opportunity for highly profitable investment, as well as to an aboriginal population whose mental and economic advancement must look for material support to the yield of the enterprises established in their territory.

We shall return to this investment in more detail in the following chapter, when we discuss the agriculture of the Netherlands East Indies, but now proceed with our survey of the revenue of the Government Treasury.

As we have already had occasion to remark, we estimate the amount which the native population contributes in taxation to the revenue at about 120 million guilders, this being made up as follows:

	(*in millions of guilders*)
Revenue from land	30
Poll tax and the share of the income tax	20
Share of import and export duties (about 65 per cent)	40
Share of the yield of excise duties (about 90 per cent)	25
Butchers' fees	5
Total	120

The land revenue is mainly derived from the *sawahs* (irrigated fields) and amounts to between 8 and 20 per cent of the estimated production; but in case of failure of the crop the owner of the land

is exempted from this tax. Excise is levied on petroleum and matches (with an insignificant amount on homemade alcohol and tobacco in Borneo). The entire yield of the excise duties is nearly 28 million, 10 million of which are derived from matches and 16 million from petroleum. The most important item, of course, is received from the import duties, which are estimated at a total of 56 million guilders; the export duties, mainly on forest produce, bring in only about 7 million. The import duties vary between 6 and 12 per cent *ad valorem*, though for some articles a fixed amount must be paid according to weight or volume. For 1923 the whole value of imported goods was 644 million guilders, on which the duties were 54 million, or about 8.4 per cent. We shall consider the importation of merchandise more exhaustively when we discuss the consequences of the War for the Netherlands East Indies, so that here we need only remark that the import duties are purely fiscal in character, and that differential duties were abolished more than fifty years ago, so that the Netherlands applies the principle of free trade in her colonies as well as at home. All manufacturers and merchants enjoy equal rights irrespective of nationality.

The collective item, sundries, in the revenue returns calls for some attention, especially with regard to the share contributed towards it by the Java Bank, the Netherlands East Indies bank of circulation, not because this share (3 million guilders) is so important in itself, but because it gives an opportunity for dealing briefly with the monetary and the banking systems. The former is on a gold basis both in the Netherlands and in the Netherlands East Indies; and gold and silver coins are alike legal tender to any amount. Since the War, the gold pieces of five and ten guilders have practically disappeared, so that, besides the silver, nickel, and copper small change, only the silver standard coins, *viz.*, the *rijksdaalder*, the guilder (containing 7.20 grams of fine silver), and the half guilder, are now in circulation.

The coins are struck in the Netherlands, silver being minted only by the Government; the coinage of gold being free. The profit made on the silver coins serves as a reserve fund for losses in case the Finance Minister considers it necessary to withdraw some of them from circulation and to melt them down to protect their value in gold. Generally speaking, the Netherlands guilder is equal to the Indian; differences occur only when special circumstances cause

remittances of money coming from or going abroad to assume unusual proportions.

The Java Bank is the only bank of issue in the Netherlands East Indies; its notes are legal tender, and it may issue them to an unlimited amount, provided the total, plus other immediate liabilities, payable on demand, is covered by bullion to the extent of 40 per cent (since 1914, temporarily, 20 per cent).

The Java Bank acts as government banker, and to maintain the coinage and the notes at gold parity it invests large amounts in foreign bills of exchange, besides keeping balances abroad which can at once be converted into gold in the principal financial centers. The Bank was thus in a position, both during and after the War, to keep the Netherlands East Indian guilder almost continually at par.

The Bank's capital amounts to 9 million guilders, and the shares are dealt in at the Bourse. The Government receives a share of the profits and appoints the president, two or more managers, and one of the directors, the other four members of the board of directors being elected by the shareholders.

To give some idea of the importance of the Java Bank as a central monetary and credit institution of the Netherlands East Indies, we append a few figures taken from the annual report for 1922-1923.

At the close of the financial year, the immediate liabilities amounted in round numbers to

	(*in millions of guilders*)
Notes issued	269
Balances in current account	105
Bank notes in circulation	3
Total	377

Against this the following cover (about 59 per cent) was held:

	(*in millions of guilders*)
Gold	161
Silver	61
Total	222

The clearings of the Java Bank amounted to about 5,250 million guilders, of which the Batavia head office had some 3,000 million and the Surabaya branch about 1,300 million.

The interest-bearing investments in that year amounted on an average to 167 million guilders, of which 27 million were in foreign bills, 130 million in advances on current account and discounts, and 10 million in mortgages and bonds. The turnover, as regards advances on current account, was as follows:

	(*in millions of guilders*)
Stocks and bills	910
Imported goods	29
Export produce	221
Gold and silver	2
Total	1,162

The bills discounted totaled nearly 105 million guilders. The considerable amounts advanced by the Java Bank against imported and exported goods show that, besides its business with the other banks in the Netherlands East Indies, it has a very extensive connection with commerce and with agricultural industry, which it has energetically supported especially during the war years 1914 to 1918.

The discount rate of the Bank, from 1909 to 1924, has not exceeded 3½ per cent; and its usual rate for advances on stocks has varied between 4 and 5 per cent, which compares very favorably indeed with the charges in other countries and colonies. It was only for a few months during the crisis of 1907 that the rate rose to between 6½ and 7 per cent.

Several private joint-stock banks also have found a large sphere for their operations in the Netherlands East Indies.

The greatest of these organizations is certainly the Netherlands Trading Society (*Nederlandsche Handel Maatschappij*); and if we direct special attention to this institution, it is not because its present position is so much more important than that of the other Netherlands and foreign banks, but because its record covers an episode of colonial history with which we think the reader of this survey should become acquainted, especially as it used to advance

funds to the Government and to act as its banker before the foundation of the Java Bank as the government bank.

The Netherlands Trading Society was established in 1824 on the initiative of King William I, who was grieved to see the decline of the foreign, and especially of the colonial, trade of the Netherlands, and who desired a powerful lever for the promotion and encouragement of national prosperity.[4]

After some years of search, and after repeated failures, the introduction of a system of compulsory agricultural labor in the Netherlands East Indies finally opened a period of prosperity for the Netherlands Trading Society after 1821. The native population was obliged to cultivate various kinds of produce on their land, such as coffee, indigo, sugar, tea, and pepper, which were to be delivered to the government warehouses at fixed prices. This system was an almost unbearable burden to the native cultivator, especially where overzealous officials forced him to grow these products; but at first the mother country derived large benefits from it, the competition of foreign merchants being rendered almost impossible by the principle that the output was to be placed almost exclusively at the disposal of the Government. After the disappearance of the commercial monopoly of the East India Company, whose liquidation had been resolved upon in 1798, we therefore witness the establishment of another monopoly, this time by and on behalf of the Kingdom of the Netherlands, that left no room for private initiative.

This exploitation of the colonies by the State gave large profits to the Government Treasury as well as to the Netherlands Trading Society, which controlled the sale of the products delivered, and which made very generous commissions on these operations, while it was also in a position to transact other lucrative business. The gains on the products, however, proved to be unstable, for the increasing supply, coinciding with an unchanged demand, caused prices to decline rapidly, the consignments leaving losses which were provisionally paid by the Society. The resultant debt of 40 million guilders due to it, combined with the disappearance of the profits which used to furnish a much appreciated item of revenue in the budget, led Parliament to intervene increasingly in the direction of the colonies; and early in the nineteenth century their management was

[4] *Cf.* the Centenary Memoir of the Society, published in 1924.

vested principally in the hands of the King and his counsellors. Consequently, the percentage of commission paid to the Netherlands Trading Society was considerably reduced, but, on the other hand, the Society was legally recognized for a fixed number of years as the only commission agent of the Government of the Netherlands East Indies.

The Society continued to function thus until the end of the system of compulsory labor and consignment, which was gravely opposed by colonial politicians in Parliament for practical and ethical reasons alike. In 1862 government planting of pepper was abolished, and in 1865 that of indigo and tea, while in 1870 it was decided as a matter of principle to abandon sugar. The government coffee plantations alone continued to exist many years longer, fortunately without any objectionable constraint. Nevertheless, the Society's days of heavy gains were over, especially as coffee no longer yielded the profits of former years because of its increased production elsewhere. At the same time, private enterprise penetrated more and more into the Netherlands East Indies, supported by the liberal colonial tendencies which were gradually gaining strength and which won a very considerable success in 1870 by the passing of an important bill.

By this Agrarian Law of 1870, land could be granted to Europeans on seventy-five years' lease, the rights of the natives in that connection being entrusted to the special care of the Governor-General. The law also gave better protection to native rights in land, and although natives were subsequently permitted to make leases to non-natives, no freeholds can thus far be secured outside the principal towns, thus further guarding the native cultivator.

After 1870 there was a very marked development of private enterprise, and the Netherlands Trading Society, which had extended its operations for its own account more and more after 1850, became largely interested in plantations, especially in those of sugar, which had become free. A sharp decline of sugar prices in 1884 and 1885 caused a collapse which plunged all the banks in the Netherlands East Indies into such difficulties that they could continue only by dint of great effort and by reorganization. The entire industry in the colony was in danger, owing to high cost of production, diseases of the sugar cane, and the competition of European beet sugar; and the utmost energy alone could restore its prosperity. From that time

dates the thoroughly scientific system of planting and working sugar cane, which has resulted in the strong position of the Netherlands East Indian sugar industry today.

Taught by this experience, the Netherlands Trading Society prudently restricted its interests in sugar-growing; and after 1880, it applied itself more especially to banking. The great expansion of its operations in this domain may be inferred from the following figures taken from the annual report for 1923. The capital of the Society amounts to 80 million guilders; reserves to 42 million; long-term deposits to 118 million; and current accounts to 252 million. Advances against produce to be delivered by estates amount to some 52 million, while loans and renewals give a total of nearly 168 million guilders.

With regard to the other Netherlands banks in this area, we may be very brief. They also have had their vicissitudes in dealings concerning colonial plantations, but at present they are all on a very sound basis. We need mention only the Netherlands Indian Commercial Bank (*Nederlandsch-Indische Handelsbank*) which has transferred its plantation interests to a separate company, the Netherlands Indian Agricultural Company (*Nederlandsch-Indische Landbouw-Maatschappij*), of which it holds the shares (12 million guilders). This bank was established in 1863 with a capital of one million guilders, which had been raised to 55 million guilders in 1923. It is now a purely banking concern, as is the Netherlands Indian Discount Company (*Nederlandsch-Indische Escompto-Maatschappij*), with a capital of 47 million guilders, which is not interested in plantation business. A combination of banking and administration of plantations is found in the Colonial Bank (*Koloniale Bank*), while the Rotterdam International Credit and Trading Company (*Internationale Crediet-en Handelsvereeniging Rotterdam*) does a very considerable import and export business.

The principal foreign banks are the Chartered Bank of India, Australia, and China, the Hongkong and Shanghai Banking Corporation, the International Banking Corporation (American Bank), the Bank of Taiwan, Ltd. (Japanese), the Yokohama Specie Bank, Ltd., and some Chinese banks of lesser importance.

The economic position of the native population renders it necessary to make a special provision of credit for them; for though they use the banks already mentioned to the very small extent which they

are interested in the import or export trade, and though they have deposited the rather meager amount of 5 million guilders in the Government Postal Savings Bank, their very modest financial transactions are limited to the large and small banks for popular credit which date from 1900 and to which we shall return later.[5]

The most important item of expenditure in the budget of the Netherlands East Indies is furnished by the government enterprises and monopolies (152 million). After what we have remarked with regard to the latter, it will be sufficient to note that the annual expenses under these two headings amount to about 25 million guilders, as against 82 million guilders of receipts.

The expenditure for the government agricultural establishments (the government rubber estates cover about 24,000 acres and produce about 4 million pounds of rubber), coal, tin, and gold mines, and forest exploitation amounts in all to 44 million guilders, as against 88 million guilders of gross receipts. An annual sum of 83 million guilders remains for the government services (railways, tramways, posts, telegraphs, telephones, etc.), of which 51 million guilders are for railways and tramways, and 21 million for posts, telegraphs, and telephones.

The government railways, like the postal and telegraph services, have been obliged to cope with insufficient receipts owing to the War and the depression which followed it. Since 1924, however, an improvement has set in, and hence the surplus of the latter service has again become adequate for paying interest on the capital invested. The prospects for the government railways also are better, and these might even be termed quite profitable if 200 million guilders had not been spent on lines which will never pay, since they were built exclusively to open up backward regions or for military purposes. Nevertheless, the surplus on the State railways, tramways, and motor services has again risen to 21 million guilders, 3 per cent of the capital invested.

According to the *Handbook of the Netherlands East Indies* for 1924, the total mileage of railways in Java in 1922 was 3,353 miles, of which 1,552 were worked by private companies, all showing very satisfactory results. The most important of these is the Netherlands Indian Railway Company (*Nederlandsch-Indische Spoorweg-Maatschappij*), which operates 130 miles of railways and 374 miles

[5] *See* below, p. 35.

of tramways. Next to this come the Semarang-Cheribon, the Semarang-Joana, and the Eastern Java Steam Tramway Companies. The total mileage of railways and tramways in Sumatra is 981 miles, of which 272 are operated by the Deli Railway Company. Celebes has only a tramway line of 31 miles. The total mileage of railways and tramways is, therefore, 4,365, of which nearly 2,550 are operated by the State, while about 1,428 miles are covered by government automobiles.

The importance of postal traffic in the Netherlands East Indies is shown by the fact that the number of domestic letters (including official correspondence) handled during the last few years amounts to some 40 million annually. The length of the submarine cables is about 7,825 miles, of the land telegraph lines 19,437 miles, and of the telephone lines 100,788 miles.

A word should be said also regarding the government water-power works which have been constructed of late years and which open a wide prospect for even private enterprise. In 1922 ten such works were either operating or under construction, their total capacity being approximately 85,000 horsepower, this being available both for industrial purposes and for lighting certain large towns.

The total horsepower to be derived from water-power works in the Netherlands East Indies is estimated at not less than 5,500,000. The largest amount can be derived from the Assahan River in Sumatra (215,000 h.p.) which exceeds the capacity of even the Ontario Power Company at Niagara Falls, which amounts to 200,000 horsepower.

The Government has already given concessions to some private companies for the exploitation of water-power works on the following terms: they are granted for a term of forty years, and the rate of 2 guilders per theoretic horsepower must be paid annually to the State for the first 900 horsepower over 100, 1.50 guilders per theoretic horsepower for the next 9,000, and 1 guilder per theoretic horsepower for all over 10,000.

It would carry us too far afield if we were to deal with each item of expenditure of the budget in detail, but we may direct special attention to the cost of public instruction, which amounts to 40 million guilders annually. Popular public education in the Netherlands East Indies is still very inadequate, but the last twenty-five years have seen much improvement in this respect if one remembers that before that time there was scarcely any public instruction what-

ever in the interior, and that at most only 1 per cent of the population could read and write. The village schools, established mainly to combat illiteracy, date only from 1907.

At present there are about 10,000 *desa*, or village, schools, with a course of three years, in which writing, reading, and arithmetic are taught to over 650,000 children, whereas in the native schools with a more extensive curriculum of four and five years over 430,000 native children are taught, so that more than a million attend the purely native schools. In these schools one of the native vernaculars is the medium of instruction, the Netherlands language being taught only at the private schools. Such native children as desire further study find an opportunity in what are called "liaison," or Netherlands-native schools, where the language of the Netherlands is the vehicle of instruction, as is likewise the case in the private schools, of which there are about 250 in all, and where some 50,000 native children receive instruction. The European primary schools are also open for the more advanced native children, of whom they teach over 6,000, besides some 30,000 European children.

The higher grade, secondary, professional, and training schools, are open to all races and are attended by over 9,500 young natives, of whom more than 4,000 are being educated as assistant teachers; 2,500 attend the higher-grade schools; 1,500 receive professional instruction; more than 700 are trained for civil service; and about 200 study at the secondary agricultural schools. Furthermore, about 250 are educated annually at the medical schools, while approximately 100 attend the administration school and the Indian Law School, which serve to train native officials for the lower ranks of the civil service and judiciary.

As regards the instruction of European children, we have already seen that the primary schools give instruction to more than 30,000; and the secondary schools have about 2,300 European pupils; the higher-grade schools and the professional schools are attended by about 7,000 European students.

Since 1920, university education has been open to all races at the Technical Academy at Bandong, though only 93 students were registered for 1922-1923 (69 Europeans, 15 natives, and 9 Chinese). A Law Academy was opened at Batavia in 1924.

The presence of Chinese students proves that the children of this race also have the opportunity of obtaining instruction in the

Netherlands East Indies. For this purpose there are, in the first place, public and private Netherlands-Chinese schools, which number 51, with 12,000 pupils, the Chinese children also attending the lower and secondary European schools, and, to a lesser degree, the native schools as well. There are, moreover, many private schools for Chinese, Arabs, Klingalese, etc., and no less than 18,500 Mohammedan religious schools with 460,000 pupils.

From this it will be seen that the question of public instruction in the Netherlands East Indies is very complicated, and that its rapid development is impeded not only by financial obstacles, but also by the difficulty of obtaining an adequate number of teachers. European instructors are expensive and only partly adapted for teaching natives, while the training of native teachers is conditioned by the limited number of normal schools and by the desire to receive such specialization. The native staff can increase considerably only when the number of illiterate persons, still estimated at 96 per cent of the population in Java and Madura, is reduced, and when the opportunity for entering the training schools is extended. The desire for public instruction, however, must keep pace with the economic development of the natives, since expenditure for public instruction will necessarily remain in proportion to the contributions of the native population to the revenue.

One of the means used by the Government to raise the native to a higher economic level is to be found in the 30 million guilders which the budget appropriates for Civil Public Works. This branch of the service is devoted to the construction of roads and bridges, to the building of schools, offices, and other buildings, and to the building and upkeep of irrigation works. From 1912 to 1925 about 65 million guilders were expended on irrigation and other waterworks constructed exclusively for the benefit of both native and European agriculture.

Before the Government of the Netherlands East Indies interested itself in irrigation, prior to 1885, the Javanese and the Balinese, among others, had irrigated their ricefields by crude mechanical aids. Notwithstanding the ability shown in these constructions, they were technically so imperfect that it became necessary to replace them gradually, especially in the low-lying plains, by large modern irrigation works, to which Netherlands engineers devoted their very best endeavors. Nevertheless, a great deal remains to be done, so that

it is much to be regretted that the financial depression which affected the Netherlands East Indies budgets from 1922 to 1925 caused the construction of waterworks to slacken, as it also compelled suspension or restriction of other public works and government enterprises.

In the territories under the direct rule of the Netherlands East Indian Government the administration of justice is based upon a dual principle which differentiates between jurisdiction regarding natives and Europeans. The Chinese who in the matter of civil law are wholly subject to the same laws as the Europeans, and the other foreign orientals (Arabs, Klingalese, British-Indians) who in most matters of civil law are subject to the same laws, therefore stand at the present time on the same level under the civil law as the Europeans, but in matters involving criminal law they are judged by the native courts.

The lower native courts (district courts and regency courts) consist entirely of Indonesians, the presidents being district chiefs and regents; the *landraads* (ordinary native courts) are formed, as a rule, by natives (in two provinces also partly by Europeans and Chinese, or by Europeans alone), and their presiding officers are usually jurists. A native official, the *Djaksa*, always acts as public prosecutor.

The European population, and in all civil cases the Chinese and in most such cases the other foreign orientals are under the jurisdiction of Residency Courts and Councils of Justice, the latter, in civil cases, being at the same time Courts of Appeal from the Residency Courts. In some cases appeal can be made from the sentences of the Councils of Justice to the High Court of Justice of the Netherlands East Indies. Residency magistrates are also presidents of the native courts; and the Councils of Justice and the High Court of the Netherlands East Indies consist exclusively of jurists.

All Netherlands subjects, irrespective of race, may be members of the magistracy and are, therefore, eligible for any office in the High Court of Justice, the Councils of Justice, and the Residency Courts, as well as for the presidency of native courts in so far as this position is not occupied by European civil servants, as is thus far usually the case. The only noteworthy exception to this dual organization is the so-called police jurisdiction in the islands of Java and Madura and in some parts of the other islands where all cases of petty offenses committed by people of all classes of the population

are judged by the same judge [jurisdiction of the Landcourts (*Landgerechten*)].

In some territories in the Outer Possessions (outside Java and Madura), and in all Native States, the native population, even in regions under the direct rule of the Government, are not subject to the jurisdiction of government magistrates, but to their own judges and courts, though these are guided and supervised by the officials of the civil service and are often subject to special government regulations.

Turning to the hygienic situation in the Netherlands East Indies and to the official measures taken to improve it, we note that statistics of mortality in the Outer Possessions are still incomplete, so that the following data, drawn from the *Handbook*, apply only to the island of Java with its 35 million inhabitants. The average mortality in Java is 20 per thousand, which may be considered favorable when compared with British India and the Federated Malay States, with a mortality of 30 per thousand, or even with the Philippines, where it is 23 per thousand.

The most unhealthy regions are the coastal regions and towns, where the mortality fluctuates between 40 and 60 per thousand; but the figures are much better for the European population, since their average is only between 16 and 18 per thousand even on the coast. Malaria is very prevalent, especially along the coast, and though it is not the most prevalent cause of mortality, it seriously undermines the system, so that the medical service takes special precautions against it.

In 1915 a special service was instituted to conquer the plague, and the best means for accomplishing this end proved to be systematic improvement of the housing conditions, especially by keeping rats out of the buildings and by admitting sufficient light and air. Thanks to vaccination, no epidemics of smallpox have occurred since 1913, and in 1922 there were only 275 fatal cases. A staff of 400 vaccinators maintains a strict control over vaccination and re-vaccination.

The archipelago as a whole contains about one hundred hospitals under the supervision of a civil or military physician, and there are also three large central hospitals in Java, treating between 500 and 600 patients daily, and serving in addition as training schools for medical students, nurses, and hospital assistants. Furthermore, there

are private hospitals in many places, among which those attached to the plantations on the east coast of Sumatra enjoy a high reputation, since they have lowered the mortality among native laborers from between 60 and 70 per thousand to between 10 and 12 per thousand.

It would carry us too far afield to discuss all the asylums for insanity, blindness, leprosy, etc. Much has been accomplished in the Netherlands East Indies in these respects, but far more remains to be done, especially in the interior of the islands and in the Outer Possessions.

CHAPTER IV

AGRICULTURE, COMMERCE, AND INDUSTRY IN THE NETHERLANDS EAST INDIES

The insignificant amount set apart for agriculture, commerce, and industry in the budget of the Netherlands East Indies shows that the direct interest of the Government in these private enterprises is very small, being limited to instruction both scientifically by botanical gardens, experiment stations, laboratories, and statistical bureaus, and practically by agricultural advisers. Besides these educational activities, which the necessity of retrenchment has reduced to less than that absolutely requisite, the Department of Agriculture, Commerce, and Industry manages the government agricultural estates, the forests, the veterinary service, etc. The area covered by teakwood forests is about 1,852,500 acres, of which some 914,000 are controlled by the forestries; and the total area of jungle forests to be kept up is approximately 3,705,000 acres.

Almost all the native population are engaged in agriculture, either as laborers on the European plantations or with native farmers, or as owners of arable land. In the Outer Possessions, especially in Sumatra, the native agriculturist devotes himself not only to growing foodstuffs, but also to cultivating coffee, pepper, tobacco, rubber, etc., for export; in Java, on the contrary, he concentrates his energies particularly on planting for domestic consumption.

In producing staple articles for the European or other markets, the native coffee, pepper, rubber, and coconut plantations are of special importance. Native plantations of the superior sorts of coffee are, unfortunately, on the decline, owing to the many diseases and pests with which the coffee tree must contend; but where the finer and more sensitive grades have been replaced by Robusta coffee, as is the case in Sumatra, native planting may be said to be progressing. It is safe to assume that about 28,000 tons of coffee are produced on native, and about 50,000 on European, plantations. Of the superior grades, such as Padang-Kroë, Bali Bungi, Angkola, etc., between 6,000 and 8,000 tons are exported annually, for the greater part to America and northern Europe.

The native rubber estates, found chiefly in Borneo and Sumatra,

have become of importance only within the last ten years. In 1921, their exports amounted to only about 6,000 tons, but within two years they had risen to 53,000, the major portion coming from Sumatra. On an average this sells at between 30 and 40 guilders per picul of 60 kilos; but prime qualities bring between 50 and 75 guilders; and in 1923, 90 guilders were paid per picul. Some of it is prepared for the market in small factories in the Netherlands East Indies, but most of it is shipped in Singapore, which is also the center for the wild rubber and *getah* grades gathered in Borneo, for which 10 and 12 guilders are paid. The rubber boom beginning in 1925 raised prices considerably for native rubber. The prime native quality is quoted about one-third less than plantation rubber. The production of the former for 1925 is estimated at 100,000 tons. The rapid expansion of this industry shows that the native is alive to the profits which may be gained from producing for export and that he may become a redoubtable competitor for the European, especially in the case of outputs which require no special care or scientific treatment. Nevertheless, whatever excellent qualities he may possess as an agriculturist, he is still too deficient in mental development, and hence in economic insight, to be able to apply intensive European agricultural methods; while lack of capital prevents him from preparing his output in accordance with the requirements of the European markets.

In Java, indeed, there are native tea gardens covering a total area of about 50,000 acres, and about 40,000 acres of native sugar-cane plantations; but except where the crops are worked over by Chinese or European dealers, they are important only for native consumption. The same statement applies to native-grown tobacco. No less than some 296,000 acres are devoted to this, but the part which reaches the western markets is prepared in establishments belonging to foreigners. In eastern Java, tobacco is grown by natives, but under the supervision and with the financial assistance of the large European entrepreneur who, among other things, procures the proper seed. The very expensive Sumatra tobacco and the well-known *Vorstenlanden* (Principalities) Java tobacco are cultivated exclusively by foreign, mostly Netherlandish, entrepreneurs.

It would carry us too far afield to discuss all native-grown export products in detail. In Sumatra, however, special importance attaches to the native pepper plantations, which produce annually between

25,000 and 30,000 tons, this being the greater part of the world output. The cultivation is partly controlled by foreign orientals, who, availing themselves of the chronic lack of ready money among the Sumatrans, often succeed in obtaining the desired native-grown product by their combined function of bankers and dealers.

Much importance also attaches to the native coconut estates, found throughout the archipelago, even at an elevation of 3,000 feet. The number of coconut trees in these plots and plantations may be estimated at 125,000,000. The fruit is sold either for domestic consumption in the native markets, or as copra to the Indian and European oil factories.

Among the perennial growths we may also mention the kapok tree, which is seen planted, especially in central and eastern Java, in native gardens and along the roads; the *pinang-gambier*, which thrives in Sumatra; and the *cassia vera* (cinnamon), also grown in Sumatra. We have named the most important articles of produce grown by natives. As regards kapok, we may observe that the native grower merely gathers the fruit, whereas the foreigner (in this case generally Chinese) cleans it by native labor and prepares it for export to Australia, America, and Europe.

Besides producing for export, the natives grow a great many crops destined mainly for their own consumption, though also important as articles of export. The chief of these is the cassava, which the tapioca factories make into tapioca flour, tapioca pearl, and tapioca flakes. More than 1,800,000 acres are annually planted with cassava, the yield each year being about 5,700,000 tons of roots, which are also exported in a dried state and called *gaplek*.

We may likewise mention maize, which is used almost entirely for home consumption and of which over 1,400,000 tons are gathered each year. The annual output of peanuts and soya beans is estimated at 170,000 and 100,000 tons, respectively. Native consumption claims the entire crop of the *batata* (sweet potato), a tuberous root which has about the same nutritive value as the cassava, and of which about 1,000,000 tons are used annually. There are also a great many more tuberous plants, legumes, and fruit, too numerous to be listed here. We should, however, mention the sago palm, which is found and also cultivated in watery places in Celebes and the Moluccas, where sago flour is the staple food of the people;

and we may note in passing such forest products as rattan, bamboo, timber, gum copal and gum damar, benzoin, etc.

Although a number of important crops have been mentioned, we have not spoken of the main article of food of the population of the archipelago, namely, rice, which is grown chiefly in Java. Its annual production in this island is estimated at about 3,200,000 tons, but the Outer Possessions do not yield even a tenth as much. Since the normal quantity consumed is reckoned at 4,000,000 tons for the whole archipelago, on an average 500,000 tons must be imported annually from Rangoon, Bangkok, and Saigon.

In normal times, British India and Siam can, of course, very adequately provide the Netherlands East Indies with rice. The last ten years, however, have shown that circumstances may arise in which it is impossible to rely upon these sources; and quite apart from the situation created by the War, it is not considered desirable to depend so largely upon imports for their food supplies, in view of the rapid increase of their population and the fact that the production of rice has not at all increased in proportion. In 1921, 743,000 tons were imported; in 1922, 623,000; in 1923, 417,000; and in future these figures will probably not vary greatly unless the cultivation of rice can be extended either in Java or in the Outer Possessions. This is not impossible in the case of the Outer Possessions; and as regards Java it is hoped that the yield per acre can be increased, since fresh land for rice cultivation is almost unavailable.

Since native agriculture in Java, with its enormous production of foodstuffs, is of such great importance for the entire archipelago, we may here say something more about it.

The number of cultivators in Java amounts to 70 per cent of the men of over fifteen years of age, or about 6,750,000; and the island possesses about 10 million bahus (about 17 million acres) of arable land, of which about 4.4 million (some 7.4 million acres) are irrigated fields (*sawahs*) almost entirely under rice. A number of these *sawahs* produce two crops of rice annually; others, one crop of rice and an after-crop of legumes, maize, or some other product; and others, again, three crops of maize. The dry land yields mainly less important products, *i.e.*, all native crops except rice.

The agriculture of the natives is on a small scale. Over two million control no more than between 1¼ and 5 acres, only a very few having 60, 120, or 250 at their disposal. These latter, it should be

added, divide their land into a large number of tiny plots which are let to small cultivators.

Alienation by natives of their rights of ownership to non-natives is forbidden by law, and leasing their land is allowed only under government supervision, the purpose being the protection of the economic interests of the natives.

In this connection we may briefly outline the government promotion of native agriculture. We have already alluded to the irrigation works designed to increase the area fit for irrigation, and we have also mentioned the agricultural advisory service. We may now add that during recent years about thirty-six agricultural advisers, nine horticulturists, and some fifty Indonesian agricultural teachers have seriously tried to devise and execute means for the improvement of native agriculture in the Netherlands East Indies. In Java, as everywhere in the world, the peasant is very conservative; but as agriculturists elsewhere have become convinced of the advantages of modernizing their occupation, so the common sense of the native farmer in the Netherlands East Indies will prove amenable to the convincing demonstrations of his advisers. The use of modern implements and of artificial fertilizers is already increasing, and thus in the long run it will be possible to raise the output per acre very considerably.

The total money value of the crops grown by the natives amounts, according to the Colonial Report for 1924, to 1,500 million guilders. The export value of native-grown products is about 200 million guilders,[1] which clearly shows that native agriculture is mainly focused on the production of foodstuffs, chiefly on behalf of the farmers themselves. Nevertheless, the high figures of output do not necessarily imply a prosperous native commercial community, for the native—like the small European cultivator—is a bad merchant, whereas those who are not directly concerned with agriculture are more inclined to service with the numerous government or commercial offices. It is a great exception in European and Chinese business houses to find a native occupying a post of any significance, and it is equally rare, at least in Java, to meet merchants of importance who are aboriginal natives of the country. It is quite true that some villages and towns contain native shops (*tokos*) which have existed for

[1] The estimate for 1925 was about 400 million, owing to higher prices and the increased production of rubber.

some generations and which enjoy considerable credits from banks and importers; and limited companies also may be found here and there, notably on the west coast of Sumatra, which transact a large business with exporting houses, but, broadly speaking, the native still keeps out of the wholesale trade; he is neither a shopkeeper nor a middleman. The only business which is managed by natives everywhere is the retail trade on the markets or *pasars*. The products yielded by his small plot of land are taken by the native cultivator or by his wife to the nearest mart, which may be found even in the smallest village in the interior. There bartering and purchasing are carried on, and there, too, the dealer finds an opportunity to collect produce which he can offer in large quantities to exporters. Generally the merchant, in most cases a Chinese, need not even visit the market. As a rule he has already purchased the crops before they were ripe, a transaction for which the native farmer is generally only too ready when the buyer is prepared to advance a sum of money on the crop. In these transactions the native shows his sad deficiencies as a merchant. He does not sufficiently calculate the high rate of interest charged him; he underestimates his wages; he makes too light of his risk; and he is content when he possesses enough cash to provide for his few wants and to pay taxes. Only an extension of popular education, more instruction by agricultural advisers, and a sounder sense of the value of money and of the power of coöperation will in the long run be able to raise these cultivator dealers to a higher plane of prosperity. Efforts are being made in this direction, especially by the Popular Credit System instituted about 1900 on behalf both of native commerce and of native agriculture and industry. Three kinds of credit institutions have been established for this purpose, the first of which in Java and Madura is the *desa-lumbung*, an institution carrying on banking, not in money, but in *padi* (paddy: unhusked rice). The function of these little banks, which may be found in the smallest villages, and which generally consist of a large barn and a small office, is to grant, on request, advances in *padi* at moderate rates to the villagers for financing their agricultural enterprises, for sustenance in case of bad crops, and for other useful purposes. The capital is formed by the *padi* which the peasants deposit at harvest time, and generally the shareholders are the bank's customers as well, so that the system is similar to that of the European coöperative agricultural

banks, though in a more primitive form and under official supervision. Although prosperous *desa-lumbungs* sometimes grant credits in money, as for the purchase of agricultural implements, and although the native may deposit his savings in them, these transactions appertain more especially to the second type, the *desa* money-banks, which are also credit institutions of which the villagers are members, and from which they alone may obtain loans in cash. There are commercial *desa* banks and agricultural *desa* banks, but their activities are fairly similar. Their main purposes are to combat usury, to render the native more independent, to make him understand the value and investment of money, and to encourage saving. Since their capital belongs almost entirely to the people, and since accurate supervision of this money was impossible in the interior, it was thought desirable to establish credit institutions in the chief towns, where the funds of the small village banks could be deposited. These constitute the third type, the people's banks. They may take money on deposit from Europeans, and hence can transact business of more importance and can also deal with natives outside the *desa* community. In Java and Madura such a bank is found in every administrative district, whence they are usually called district banks (*afdeelingsbanken*). Elsewhere the sphere of action is determined differently. Finally, the Central Fund is established at Batavia, with a maximum capital of 5 million guilders, granted by the Government to supply the people's banks with the necessary capital and to assist them in administration, investments, etc.

Native industry is as yet carried on on a small scale and for the most part is still done at home as an adjunct to agriculture. There are, it is true, some native industries worth mentioning, such as hat-making in Java, where fine bamboo hats are produced, as well as the coarser *pandan* grades, 15 million being exported in 1923. The batik industry, *i.e.*, the making of white cotton cloth into fine head-cloths and sarongs, is important; and the small native tapioca works, the brick and roof-tile kilns, and the oil mills also deserve notice. Yet what has been said above regarding native agriculture and commerce will show that the native is still insufficiently educated economically to carry on an industry able to contend with cheap imported articles.

On the other hand, large-scale industries managed by Europeans are as yet equally out of the question for the people of the Nether-

lands East Indies. The problem of the industrializing of these colonies is constantly being studied, and efforts have been made, with government assistance, to establish new industries mainly to afford better means of existence to the rapidly growing population of Java. The difficulties to be overcome, however, are many and varied, so that the increase in the number of enterprises not directly connected with agriculture is extremely slow. The so-called European agricultural industry, on the other hand, enjoys the special interest of non-native capitalists.

Colonial experts sometimes declare that the mother country can profit directly from its colonial possessions only if these can be made to serve national industry. This was the general view in the Netherlands until about 1870, but since that time the feeling has gained ground that the colonies should yield returns in another and better way, by energetically promoting the economic and moral development of the territories overseas by clearing of waste areas by entrepreneurs well provided with capital. Besides employing a large amount of native labor at proper wages and contributing considerably to the government revenue, the large enterprises cause a stream of interest and dividends to flow to the mother country, thus not only augmenting prosperity there considerably, but also proving of great benefit to national shipping, trade, and industry. From this source the Netherlands may rely upon a colonial income of about 250 million guilders annually.

While, therefore, the activity and investment of foreign capital in the colony should be regarded as important both for the Netherlands and for the Netherlands East Indies, the interests of the native population are promoted by allowing European enterprise full scope, provided that the Government is alive to the necessity of ensuring a full development of native agriculture, commerce, and industry, and of allotting a fair share of the profits earned by foreign capital to the country where those advantages are obtained.

For the admittance of foreign capital to the oversea possessions of the Netherlands, the principle of the open door has been consistently followed. Accordingly, foreign capital in the Netherlands East Indies, in Surinam, and in Curaçao is placed on absolutely the same footing as that of Netherlands subjects. Land, for example, is granted on lease for a term of seventy-five years at a very small annual rent to (1) Netherlands subjects, (2) residents of the

Netherlands East Indies (and hence to all foreigners legally living there), and (3) limited companies established in the Netherlands or in the Netherlands East Indies. If, then, a British, American, French, or German combine wishes to apply for land on lease, it need only establish a company in the Netherlands East Indies, which may be financed and managed from the country where the owners reside.

No difference exists between the rate of taxation or of rent for foreigners, Netherlands subjects, and limited companies, irrespective of nationality. This strictly equitable open-door policy has naturally drawn large amounts of foreign capital to the Netherlands East Indies, so that at present about 1,350 million guilders are invested in agricultural enterprise alone as will be seen from the following table:

	(in millions of guilders)
Sugar plantations	400
Rubber plantations	480
Tobacco plantations	100
Tea plantations	103
Coffee plantations	63
Coconut, oil palm, etc.	40
Unhusked rice and native crops	45
Cinchona	15
Spices	6
Timber, rattan, etc.	36
Cassava	10
Fibers	16
Cocoa, coca, vanilla, etc.	6
Miscellaneous	30
	1,350

The following percentages represent the various nationalities interested:

	Percentage
Netherlands	60
British	19
Chinese	10
Belgian	3
French	2
American	2
Japanese	2
German, Swiss, Scandinavian, etc.	2

For reasons connected with the history of the colony, the sugar industry is almost entirely in Netherlands hands; but this is not true of the rubber plantations, the 480 million guilders invested in this enterprise being divided approximately as follows according to nationalities:

	(*in millions of guilders*)
British	194
Netherlands	170
Franco-Belgian	56
American	27
Japanese	18
Chinese, Germans, Swiss, Scandinavian	15

The tobacco plantations are chiefly Netherlandish; the tea plantations, Netherlandish, British, Chinese, and German. Coffee is now increasingly cultivated as a subsidiary crop on the rubber plantations, and is therefore principally in British and Netherlands hands. The rice plantations, however, *i.e.*, the large estates where rice is the chief crop, are mainly controlled by Netherlanders and Chinese, and this is also the case with plantations of agave and kapok, as well as with the establishments where these fibrous products are worked over for export.

Since we must limit ourselves to what is most important, we propose to give some details regarding the principal large-scale plantation industries.

Sugar cane is cultivated under the control and supervision of European employees on land leased from the natives.

The 181 factories which extract the sugar from the cane possess altogether plantations covering a total area of about 230,000 bahus, or approximately 395,200 acres. The land under sugar cane is some of the most fertile and best irrigated in Java; and since we have already seen that about 4,400,000 bahus of these *sawahs* are available for native rice-planting, we may say that about 5 per cent of this total is annually devoted to the cultivation of sugar.

In normal years the output of sugar amounts to about 1,800,000 tons, obtained from about 16,000,000 tons of cane, a good four tons of cane per acre. With a very few exceptions, all the factories have joined the United Java Sugar Producers (*Vereenigde Javasuiker Producenten*), generally known as the V.I.S.P., an organization

which sells the sugar to exporters and to sugar dealers, and thus prevents the competition which formerly led to sales below the world market price. The welfare of the industry itself is looked after in the Netherlands East Indies by the General Syndicate of Sugar Manufacturers in the Netherlands East Indies (*Algemeen Syndicaat van suikerfabrikanten in Nederlandsch-Indië*), and in the Netherlands by the Union of Owners of Netherlands East Indian Sugar Enterprises (*Bond van Eigenaren van Nederlandsch-Indische suikerondernemingen*) generally known as the B.E.N.I.S.O., and also by the scientific institutions closely affiliated with these bodies, the experimental stations which are engaged in practical agricultural and technical researches and experiments.

In 1920, in connection with the sugar industry, over 70 million guilders were paid to the natives in wages and for purchases, and over 10 million guilders for land rental. From this it is evident that the native population, as well as the shareholders in the sugar mills, benefited by the industry. When we further consider the considerable sums accruing to the various construction works, to commerce, to railways and tramways, to shipping companies, etc., because of the various transactions in sugar, we become convinced that the prosperity of the whole of the Netherlands East Indies is closely bound up with the prosperity of the sugar industry.

Rubber-planting is of much more recent date than sugar-growing. It is not limited to Java but is also carried on in the Outer Possessions, especially on the east coast of Sumatra, in which region are found the largest number of estates, 195 holdings with plantations covering an area of 215,000 bahus (365,000 acres). In Java the estates are generally of a smaller size: for example, in the Preanger regencies 131 estates cover only 51,000 bahus (86,000 acres). There are now about 800 enterprises with holdings of over 540,000 bahus (about 914,000 acres) planted under rubber.

Of the total rubber production of the world, estimated in 1923 at 470,000 tons, the Netherlands East Indies alone produced 140,000 tons. In 1925 the estimated production for the Netherlands East Indies was 200,000 tons, of which nearly 100,000 tons was "native" rubber. The government rubber estates (the Hevea plantations) produce about 2,600 tons on about 24,000 acres.

Tobacco is also an important product of the east coast of Sumatra. In that region European establishments apply themselves

especially to the cultivation of the superior tobacco used for wrappers. Although the area under tobacco in Sumatra amounts to only about 50,000 acres, as against 66,700 acres in Java (not including 247,000 acres under cultivation by natives), nevertheless the export value of Sumatra tobacco is considerably in excess of that of Java. Making proper allowance for the fluctuations in the tobacco crop, which varies considerably both in quantity and in value, we may estimate the export value of tobacco of the east coast of Sumatra (Deli tobacco) at an annual average of 60 million guilders and that of Java at 20 million guilders.

European coffee estates are found mainly in Java. We have already stated that the high priced fancy coffees originate from native gardens and small plantations, the crops of which are prepared for export in Chinese and European warehouses. In the European estates, Robusta coffee plantations are the rule, and this grade is also cultivated as a side crop in rubber plantations. In all, there are about 365 coffee estates, of which 275 are in Java and 90 in the Outer Possessions. The well-known Java coffee is still grown in 44 estates; the Liberia coffee, in 33 estates. Despite the many diseases and pests with which coffee planters have had to contend, coffee cultivation has proved profitable in the long run. The output of Robusta coffee will presumably increase considerably during the coming years.

Tea is also grown in the hills of Java. In 1922, there were 284 estates, of which 256 were in Java and 28 in the Outer Possessions, 18 of the latter being situated on the east coast of Sumatra. Over 224,700 acres are planted with tea, which yield an annual output of about 40,000 tons. In addition, about 9,000 tons of tea are prepared from native-grown leaves. Of late years serious efforts have been made towards cultivating a superior product, which has brought very good prices on the London and Amsterdam tea markets, as well as in Australia and America.

The planters of rubber, tobacco, and tea have their experimental stations and their unions, as well as the sugar growers; however, they have not yet built up a sales organization like the United Java Sugar Producers.

In Java and Sumatra there are 138 cinchona plantations controlled by European estate enterprises which produce 95 per cent of the total world output.

Kapok is also cultivated by large European companies in Java, though it is purchased and prepared for commerce by Chinese dealers. Kapok is used for filling mattresses and life belts, and for upholstering furniture. The best qualities are grown in Java.

Coconut-palm plantations in Java amount to 149 and to 312 in the Outer Possessions; and as regards the most recent cultivation, the oil palm, this is chiefly found on the east coast of Sumatra, where 49 estates of a total of 62 are established, most of them working with Franco-Belgian capital.

While the island of Java and the east coast of Sumatra are now almost entirely under cultivation, the Netherlands East Indies still disposes of extensive tracts of land where western energy and western capital may find a remunerative field of action. There is the fertile region of central and southern Sumatra, where hundreds of thousands of acres of jungle are waiting to be reclaimed; there is the beautiful island of Celebes, particularly well adapted to the cultivation of coconuts, oil palms, coffee, etc., and moreover rich in iron, nickel, and other minerals; there is Borneo, with its promising rubber plantations in the coastal plains, its wealth of oil, and its extensive forests containing rare timber. Then there is New Guinea, the interior of which is hardly yet opened up, and a great number of larger and smaller islands, all fertile, all of them ready for the cultivation of foodstuffs, raw materials, and articles of luxury.

To summarize the above and to obtain a general review of the various estate enterprises of the Netherlands East Indies, we append a few figures drawn from Communication No. 17 (1924) of the Statistical Bureau of Buitenzorg.

The total area of all the large estate enterprises in the Netherlands East Indies (not including native agricultural holdings) amounts to about 3,800,000 bahus, of which approximately 2,257,700 acres are under cultivation:

	Acres under cultivation		*Output in tons*
Rubber	923,000		90,000
Sugar	393,000		1,800,000
Coffee	290,700		50,000
Tea	222,300		40,000
Tobacco	111,150		30,000
Cinchona	44,460		9,000
Coconut palms	123,120	Copra	10,000
Oil palms	44,460	Palm oil	4,000
Kapok	22,230		1,500
Fibers	27,360		14,000
Cassava	21,000	Tapioca	10,000
Coca, nutmegs, volatile oils, cacao, gambier, etc.	35,000	Sundries	5,500
Total acreage	2,257,780	Total output	2,064,000

The total value for 1924 of the commodities set forth above amounted to about 650 million guilders. Owing to the boom in rubber the estimated value for the year 1925 has been set at about 850 million guilders.

In comparison with the agricultural industry dealt with here, factory industry in the Netherlands East Indies is still of very small importance. There are some factories for making or preparing tiles, cement, trass, soap, and material for wooden boxes, and one paper mill. There are also various engineering works and construction workshops, where the machines and implements for the use of agriculture, railways, and tramways may be repaired, and finally there are a number of smaller establishments which are of local significance only. Large industrial enterprises such as textile and chemical industries, with the exception of the preparation of quinine, are altogether lacking, or are in such an early stage of development that a considerable import trade has to provide for the requirements of manufactured articles.

The only industry of very great importance is again connected with the natural mineral wealth of the soil of the Netherlands East Indies, the oil industry. This is of course established in the regions where the crude oil is found, in central Sumatra, east Borneo, central and eastern Java. The value of the exports of Netherlands East Indian petroleum amounted to over 300 million guilders in 1922. The securing and refining of the oil are almost entirely controlled by

the Royal Company for the Working of Oil-wells in the Netherlands East Indies, popularly known as the "Royal Dutch."

The mineral wealth of ores in the Netherlands East Indies is worked on a modest scale, tin excepted. We have already noted that the government tin mines in the island of Banka contribute a considerable annual sum to the Treasury. The tin output of Banka is about 17,000 tons per annum. The private tin-mining companies, such as the Billiton and Singkep companies, also have a considerable output.

With regard to coal-mining, the Ombiliën coal mine, which is worked by the Government, is the most important. The amount of coal in this mine has been estimated at 200,000,000 tons, of which over 7,000,000 tons have already been brought to the surface. Any surplus above that needed for the government services is sold as bunker coal in the various ports and to private industrial establishments. In Sumatra, as well as in the Celebes and Borneo, coal veins have been discovered, which it is expected will be worked in the future, probably in connection with the rich iron ores which are found there. The government coal mines together produce some 800,000 tons annually; the private coal mines, which are almost exclusively in the southern and eastern sections of Borneo, produce about 300,000 tons annually.

The establishment of blast furnaces in southeastern Borneo with capital from the Netherlands, United States, Great Britain, and Germany is still in its initial stages.

The most important gold and silver mines are to be found in western Sumatra and in the Celebes and are worked by private companies. The output of gold in 1922 amounted to over 3,200 kilos valued at nearly 5,500,000 guilders.

When we combine the value of exported produce, we arrive at a total of 1,200 million guilders which is made up as follows:

	(*in millions of guilders*)
Native agricultural produce	200
Estate agricultural produce	650
Oil products	300
Mining and industrial products, including government-owned	50
Total	1,200

Carefully calculated export values, of course, vary somewhat from this figure because of fluctuations in value and quantities exported. In 1925, owing to the boom in rubber and the good crops of sugar, tea, etc., the total value of exports was estimated at about 1,600 million guilders, or roughly $640,000,000.

The main articles of import are food and beverages. Besides rice, of which the import value varies between 30 and 100 millions of guilders, the following articles are imported in considerable quantities: flour, soya beans, preserves, dried and salted fish, biscuits, condensed milk, beer, wine, etc.

If we take the annual average for the last few years, we arrive at the following import values:

	(*in millions of guilders*)
Food and beverages	150
Textiles: bleached and gray cotton cloth, dyed cotton textiles, gunny sacks, clothing, and articles of dress and fashion	190
Machinery, implements, and various sorts of apparatus	50
Iron, steel, copper, lead, tin plate and wrought iron and steel	50
Small wares, lamps, watches, matches, etc.	20
Kerosene oil, coal, oils	30
Chemicals, medicines, herbs, paint	20
Fertilizers, especially sulphuric ammoniac	20
Cigars, cigarettes, and tobacco	30
Automobiles, bicycles, tires, and parts	20
Glass and earthenware	10
Paper and paper articles	10
Cement, firearms, rope, furniture, boats, motorboats, woodwork, and miscellaneous articles	40
Total	650

With exports to the value of 1,200 million guilders and imports amounting roughly to 650 million guilders, there is a favorable trade balance of 550 million guilders, a figure which is influenced by variations in import and export conditions.

Let us glance briefly at the shipping and port traffic of the Netherlands East Indies.

The shipping traffic serves two purposes: contact with the outside world and a linking together of the islands themselves. The latter task is effectively carried out by the Royal Packet Company (*Koninklijke Paketvaart Maatschappij*). Whereas in 1900 this company

had a capital of only 7 million guilders and a fleet consisting of 34 ships amounting to over 34,000 tons, in 1923 its capital had risen to 30 million guilders, its reserve to 32 million guilders, and it possessed a fleet of 106 steamers of 192,000 tons. During that year it carried about 732,000 passengers and 3 million tons of cargo. The company is under contract with the Government to carry the mails, it transports government officials and goods, and in addition it keeps up a regular service on about thirty lines throughout the archipelago. Moreover, the company has a monthly service with Brisbane, Sydney, and Melbourne, a fortnightly service with China and Japan, and also operates the Deli-Rangoon and the Java-Siam lines, on which from eighteen to twenty runs are made annually. The company's passenger steamers are comfortable and of good size.

The coastal traffic carried on by natives with native-sailing vessels (*proas*) is still of some importance, also the connection kept up by natives of Celebes, Borneo, and other islands with the ports of the Federated Malay States. The number of small native vessels, however, scarcely exceeds 3,000, and for the present any considerable progress is out of the question, owing to lack of capital and of profitable trading.

Besides the lines of the Royal Packet Company, the following steamship companies keep up a regular traffic with the Netherlands East Indies: the Steam Navigation Company *Nederland,* the Rotterdam Lloyd, the Java-China-Japan Line, and the Steam Navigation Company *Oceaan,* with five steamers flying the Netherlands flag between the Netherlands East Indies and Amsterdam, Liverpool, etc. Under foreign flags regular services are kept up by British, Australian, American, German, and Japanese companies.

The following table, from the *Handbook for the Netherlands East Indies,* affords a clear review of the shipping traffic of the Netherlands East Indies.

	Overseas traffic*				Local traffic				Total			
	Arrivals		Sailings		Arrivals		Sailings		Arrivals		Sailings	
	Number of vessels	Net registered tons (in millions)	Number of vessels	Net registered tons (in millions)	Number of vessels	Net registered tons (in millions)	Number of vessels	Net registered tons (in millions)	Number of vessels	Net registered tons (in millions)	Number of vessels	Net registered tons (in millions)
Trading vessels: steamers, motorboats	4,405†	5.3	3,961	5.3	20,694	29.5	21,132	29.6	25,000	34.8	25,000	34.8
sailing vessels	12,933‡	0.4	9,823	0.3	69,699	1.0	72,809	1.0	82,600	1.4	82,600	1.3
Total	17,338	5.7	13,784	5.6	90,393	30.5	93,941	30.6	107,600	36.2	107,600	36.2
Under the Netherlands flag	1,997†	2.6	....	..	17,853	23.9	....	..	19,850	26.5	....	..
	1,348‡	0.03	....	..	65,923	0.8	....	..	67,271	0.8	....	..
Total	3,345	2.63			83,776	24.7			87,121	27.3		
Under foreign flags	2,408†	2.7	....	..	2,841	5.5	....	..	5,249	8.2	....	..
	11,585‡	0.4	....	..	3,776	0.2	....	..	15,361	0.6	....	..
Total	13,993	3.1			6,617	5.7			20,610	8.8		

* Arrivals and sailings, respectively, from and to ports outside of the Netherlands East Indies.

† Of 300 tons and over.

‡ Of less than 300 tons.

Of the 5,730,000 net registered tons employed in the shipping traffic with countries outside the Netherlands East Indies, 2,600,000 tons came in under the Netherlands flag, 1,900,000 tons under the British flag, 370,000 tons under the Japanese flag, 200,000 tons under the American flag, and rather less than 100,000 tons under the German flag.

The economic development of the native population of the Netherlands East Indies is progressing very slowly, so that any serious competition with European capital is still far distant. The fact, however, that the native population is more and more adopting European ways and methods in commerce, agriculture, and industry, leads one to believe that in future years it will gradually gain in economic independence and strength.

The inclination towards education and independence which shows itself in the economic sphere has also gained ground socially and politically.

CHAPTER V

THE SOCIAL AND POLITICAL DEVELOPMENT OF THE POPULATION OF THE NETHERLANDS EAST INDIES SINCE 1900

As has been shown in Chapter I, there can be scarcely any question of a development in the native population of Surinam and Curaçao, at least such a development which would be brought about by the people themselves. Up to the end of the nineteenth century, this was also the case generally in the Netherlands East Indies. The few exceptions seem to confirm the general statement. In those days there was occasionally disclosed the desire on the part of a few individuals for more education in order to reach a higher degree of proficiency. There was a certain development of the native intermediary trade, particularly by the Minangkabau people of the west coast of Sumatra, who, in order to resort to commerce, as they are doing more and more, and to obtain capital, are obliged to free themselves from the old-time custom, that private property belongs to the entire family. The Bouginese have developed a native shipping and commercial enterprise which embraces nearly the whole archipelago. In order to obtain a better social position, the Manadonese have carried out a wholesale migration to other regions. However, these signs of a desire to better their condition were of a local character and, compared with the millions of native population generally, were of little moment. In Java and Madura and in the greater part of the Outer Possessions there was no desire generally for better education and economic independence, nor any endeavor made towards public welfare. The population submitted without question to autocratic rule exercised by native chiefs or by European officials; the possibility of anything different was not even thought of.

There was as yet no question of a native movement such as the twentieth century was to bring forth. The life of the natives, both economically and politically, was characterized by tranquillity, which was only now and then disturbed in a limited region by religious unrest among the Mohammedans brought about by an occasional fanatic with claims to supernatural powers.

In Java and elsewhere, the natives were economically subordi-

nated to the large merchants and industrialists, who were supported by European capital and gifted with the western spirit of progressive enterprise; and being politically subordinate they gave a passive obedience to a dominating rule by officials. The European population, on the other hand, was of quite a different nature; from it were drawn the leading merchants, heads of industries, and managers of estates; nor did this portion of the population try to exert political influence. With the exception of philanthropy, there was no tendency on the part of the people, either European or native, to share in the management of public affairs. In a political sense, then, the Netherlands East Indies was a colony managed almost entirely by European officials and exploited economically for the benefit of western capital.

The first move towards a change did not come from the population itself, but originated with the Government and with certain broad-minded persons. On the part of the Government, Governor-General Pynacker-Hordyk (1888-1893) and Minister van Dedem (1891-1894) felt the necessity of summoning the people (at first the European section only) to take part in the management of the affairs of state. However, the proposals drawn up and introduced by them did not meet with a cordial reception in the Netherlands and were held over until later. In addition to governmental action, in the latter part of the nineteenth century certain prominent persons began to manifest an interest in the principle of an ethical policy. They pleaded that hitherto the colony had been administered more for the purpose of upholding the Netherlands rule than on behalf of the native population. Unquestionably much had been attained in gradually extending and strengthening the authority of the State. With the pacification of Acheen under Governor van Heutsz and the assurance of peace and order in that region, the entire archipelago, by the end of the nineteenth century, had been brought under the authority of the Crown of the Netherlands. Although this extension and strengthening of the power of the State was the *sine qua non* for the furtherance of domestic prosperity and should be appreciated as such, yet the recognition of this led to the recognition of another fact, that there was an insufficient interest in the promotion of the welfare of the population, especially of the native population. Too little thought had been given to public instruction, public health, or the betterment of economic abuses. Taxes were heavy,

especially those borne by the native population in the form of the labor tax.

These two influences, governmental and private, gradually brought about the conviction on the part of the Government and of public opinion, both in the Netherlands and in the Netherlands East Indies, that the prosperity of the population should be furthered by systematic measures, and that participation in the affairs of the State by the inhabitants should be planned for. The latter view had its origin in the feeling which was gradually gaining ground that the furthering of State interests in the fullest sense of the word was becoming increasingly more difficult as undertaken by the central organization. At the same time, it was felt that, in view of the increasing economic and intellectual development in the Netherlands East Indies, autocratic rule was inadequate.

The desire for the increased prosperity of the population resulted, in the first place, in the appointment of a commission of inquiry as to the causes for the reduced well-being of the native population of Java and Madura. Apart from the general complaints regarding the really unsatisfactory economic situation of the people, a definite example was occasioned by the distress which occurred in 1900 and 1901 in a section of Java, because of the failure of the crop due to a defective water supply. In the speech from the Throne, on the occasion of the opening of the States-General in 1901, the intention of appointing such an inquiry was announced. In 1902, the commission was appointed under the presidency of the Resident of Pekalongan, M. Steinmetz. The inquiry lasted for many years and was not dissolved until 1914. During these years, the economic situation had not remained stationary; up to the outbreak of the World War such a state of distress as that of 1900-1901 did not occur again, and in 1914 there was not the same lack of prosperity among the native population as there had been in 1901. However, the activity of the Welfare Commission of Inquiry had but little direct influence, though, to be sure, certain measures, due to proposals by the commission, for the promotion of cattle-breeding, fisheries, native industries, etc., were put through during the course of those years. Nevertheless the activity of the commission has focused official attention on the economic and political position of the people, and a better knowledge has been gained with regard to the existing state of affairs and the needs of the people.

One of the most important economic measures adopted by the Government was the furtherance of a popular credit system. In Chapter IV we have already referred to this system of credit when we outlined the activities of the *desa-lumbungs*, *desa*-banks, popular banks, and the Central Fund.

Another improvement in the economic situation of the people has been brought about by the reduction of statute labor, the obligatory labor required from the entire native population throughout the Netherlands East Indies for public works, particularly for the construction of bridges and roads. Whereas in Java and Madura an end had already been put, in 1882, to what were called *pantjen* services, the men for which had previously been supplied by native-government officials; in 1905, it became possible for the *desas* to buy off this statute labor by the payment by each *desa* of a fixed tax in money in lieu of the tax in statute labor. In 1914, a general regulation made possible the abolition of obligatory unrecompensed labor. While in certain of the Outer Possessions a poll tax is levied, replacing statute labor, in all of them it is possible to buy it off.

Much has been done for public instruction since the beginning of the present century. However, it may be recorded here that the people's own insistence in a large measure brought this about, the native population in the Netherlands East Indies having suddenly shown an interest in its own improvement. The first movement, however, did not originate with the native population itself but with the Chinese in the Netherlands East Indies.

The Chinese, who politically were placed on the same footing as the natives, had come to the conclusion that this statute was against their interests. They were particularly opposed to being placed on a lower level than the Europeans as regards public instruction, and in respect of jurisdiction. In case of minor infringements of the law, they were, together with the natives, tried by the ordinary police authorities; in criminal cases, they were punished by forced public labor; while with regard to being kept in custody they were in a less favorable situation than the Europeans. They objected to the restrictions to which they had to submit in respect of moving about the islands, and to the taxes levied upon them which were higher than for Europeans. The inferior position in which they were placed became particularly galling to them when the Japanese, who had previously been on the same footing as the Chinese, were raised to

the same standing as the Europeans, and socially were thus placed above the Chinese. The movement for effecting a change gained in force, especially when political changes occurred in China itself. In this connection the fact should be taken into consideration that not only the *singkehs*, Chinese newly arrived from China, but also those who were descended from families long established in the Netherlands East Indies, in some cases for centuries, never lost spiritual or intellectual connection with their homeland and always considered themselves as belonging to the Chinese people. When, early in the present century, a number of changes took place in China, among which were better public instruction and suffrage, these changes urged themselves upon the Chinese population in the Netherlands East Indies. Their grievances, moreover, were inspirited by persons sent to the Netherlands East Indies by the Chinese Government. The Chinese movement which thus came into being in the Netherlands East Indies aimed at the readjusting of the above-named grievances. The Government of the Netherlands East Indies, which was already disposed to meet those grievances in so far as they were found to be just, did not hesitate to comply in a considerable degree with the desires of the Chinese.

The measures which were adopted during the next few years may be summarized as follows:

(a) the foundation of Netherlands-Chinese schools, in order to do away with the necessity for the Chinese schools already established by private Chinese initiative, followed by the more liberal admission of Chinese to European primary and secondary schools;

(b) the abolition with regard to the Chinese of the police jurisdiction designed for natives; and the institution of Landcourts[1] which tried delinquents belonging to any class of the population;

(c) the gradual withdrawal and abolishment (in 1918) of the passport system which was formerly an impediment to foreign orientals traveling in the Netherlands East Indies;

(d) an improvement in the system of taxation, which led to the introduction, in 1921, of a standard income tax for all races.

Although all the above-named measures have been put through only since 1914, yet they are obviously not a consequence of the World War. The reforms that were carried out after that year were but the logical outcome of plans which date from the beginning of

[1] *See* page 28.

the twentieth century. The same applies, broadly speaking, to the various events and measures which brought about an improvement in the legal and economic and social position of the native population of the Netherlands East Indies. In this respect, too, we have to take into account the same dual influence which we have indicated above: the awakening consciousness of the native population, and the dawning conviction of the Government that the increased welfare of the population was an undeniable duty.

While it is not necessary, after what has already been said, to enlarge upon the Government's conviction as to native welfare, something should be said with regard to that stirring within the mass of the native population, the native movement which came into being influenced by the Chinese movement, and which obviously is of much greater scope and of more importance in its consequences than the Chinese movement. The native movement, although partly economic as to its origin and partly of a cultural character, has gradually and in a larger measure than the Chinese movement assumed political importance. The latter movement indeed may now be considered as having lost its effervescence, for the Chinese have obtained about all they want. They still differ from the Europeans in name, but this difference only means the recognition in a certain measure of their own laws having to do with affairs of the family, which in fact they desire to retain. The native movement, on the other hand, is still in full swing, although it has enlarged its scope.

The beginning of the native movement dates from the founding in 1908 at Sourakarta, the capital of the native principality of Solo, of the Society *Budi Oetomo* (beautiful aspiration) by the Javanese physician, Mas Waidin Soedira Oesada, whose sole aim was to induce Javanese, who were officially or intellectually of a superior class, to promote a better system of public instruction for their people.

Of a purely economic nature at first was the *Sarekat Dagang Islam* (Union of Mohammedan Traders, "Mohammedan" still being identical with "native") also founded at Sourakarta in 1909 and originally established for the furthering of the interests of such traders, especially of those in the batik trade, beyond those of the Chinese dealers. In 1911 the word *dagang* (trade) was omitted, whereby the word "Islam," which now assumed the significance of "Mohammedan" came to the front. *Sarekat Islam* had therefore now

become "Union of Mohammedans." It is superfluous to enlarge here upon the reason for this change of name. Suffice it to say that without a doubt in this case the apprehension that the Government in office at that time wished to extend the Christian religion at the expense of the Mohammedan community was one of the motives. In two other respects the *Sarekat Islam* has retained its original character, owing to which it is in a certain sense opposed to the *Budi Oetomo* Union. Whereas the *Budi Oetomo* had adopted the purely nationalistic Javanese point of view, the *Sarekat (Dagang) Islam*, although originally Javanese, soon strove to embrace all Mohammedan natives, and later still all other natives without regard to creed. The *Sarekat Islam* almost at once entered into politics and included in its program the determination to secure fuller political rights.

The *Budi Oetomo* was a union of intellectuals and of socially superior persons, the chair always being occupied by prominent officials or aristocrats of the Javanese principalities. The *Sarekat Islam*, founded by a batik dealer of Solo, had always been a union of industrialists, dealers, agriculturists, and of the middle and laboring classes. The *Sarekat Islam* may above all be called a social symptom, aiming at a change in social relations which obviously had to entail a movement towards a change in political relations. The World War has exercised a great influence on the development of the *Sarekat Islam* and of the entire native movement which has now spread to other societies, and from social to political activity. We shall discuss this in detail in another chapter.

In pre-war days, the *Sarekat Islam* had already proved to be a society for the union of all those who belonged to the native population, as distinct from the peoples of other races. Whereas it was formerly aimed at the Chinese, whose commercial interests were opposed to the interests of the natives, it gradually became directed against the Europeans also and against their social predominance. From time to time during this period it exhibited some turbulence, despite its declaration of submission to the established order. The Government, although generally well disposed towards any symptom of the revival of a growing consciousness among the population of Java and other sections of the Netherlands East Indies, assumed an attitude of reserve in view of this unrest. This became apparent when in 1913 they did not accede to the request of the *Central Sarekat Islam*, a union of all local branches, to be recognized as a cor-

porate body, although such recognition had not been withheld from the local branches themselves. The Government intimated that the reason for its attitude was due to its desire, in case of disturbance in a given region, to know who in that region should be held responsible. The *Sarekat Islam*, however, soon extended its activities to the other islands, establishing branches there also.

In the meantime, during the years of which we have been speaking, the Government had prepared measures, the purpose of which was to allow the population to participate in the administration. Important amendments of legislation gradually took place. In 1903 the Decentralization Laws were passed, under which it became possible to place the management of matters of a local character in the hands of the local boards; these had hitherto been settled for the whole of the Netherlands East Indies by the central government at Batavia and Buitenzorg. The inhabitants were called upon to take part in the furthering of such local interests. This resulted in the forming of individual communities, administered by local councils, appointed or elected by the population.

The principle upon which this decentralizing legislation was based was carried on still further by the formation of the People's Council (*Volksraad*) under the Law of 1916 which became completely effective in 1918. The People's Council, as it existed till 1926, was an advisory body composed partly by appointment, partly by indirect election, of inhabitants of the various groups of the population, and was established for the whole of the Netherlands East Indies. Its duty was to advise the Government of the Netherlands East Indies in respect of all important bills and of the formation of the budget. Mention is made in this chapter, devoted to the pre-war period, of the establishment of the People's Council, for the reason that even during the last decade before the War the problem of the participation in public affairs by private, non-official persons had been discussed again and again. Several succeeding ministers of the colonies had made proposals. Minister Pleyte had the honor of placing the bill in question on the Statute Book.

The *Volksraad* was only an advisory body; it was therefore not given a deciding vote. Nevertheless, during the years that the council existed, its influence was very great. The advice submitted by the council has not only influenced the legislative measures which were adopted, although not to so great an extent as was properly

desired in the Netherlands East Indies, but its influence has been manifested above all when the annual budgets are discussed, as this has enabled the council to make known certain important desires of the population and to subject the Government's actions to criticism, which has often been quite sound. In addition, according to the right of interpellation given to the council, the Government has frequently been obliged to grant information.

From a general point of view, however, the greatest political importance of the *Volksraad* in the Netherlands East Indies, in the period we have described, lies in the fact that representatives of all groups of the population have been called upon to participate in the management of public affairs, and as a result the governing principle, that of autocratic rule, which had hitherto been in force over the Netherlands East Indies, has been abolished for good. Both by reason of the decentralization laws and of the establishment of the *Volksraad*, all groups of the population, which indeed are all represented on the various representative councils, are considered, at least in principle, to be of equal standing. Because of this equality the more or less conscious difference between a ruling and a subordinate race has been relegated to the background. There may indeed be differences of opinion as to whether or not under the present system of appointment sufficient regard is given to the presence in the *Volksraad* of leaders of all authoritative currents of opinion, and as to whether all groups are represented in the proper proportion.

With this political evolution social evolution is in sympathy. The sharp distinction in social intercourse which existed formerly between people of different races gradually disappeared. In lieu of the former distinction as to race, that arising from social importance is gradually gaining ground, as is also the distinction between employer and employed, between chief and subordinate, and, unfortunately, between capital and labor. It is the latter especially which during the years following 1914 will tend to become more and more manifest. Although this is to be regretted, it must be accepted as a necessary expression of the modern evolution of the world; and inasmuch as it also shows that the people of the Netherlands East Indies are taking rank among the nations of the world, this manifestation of the evolution of the country cannot, as a matter of principle, be deprecated.

An important issue, which is now presenting itself, is whether or

not the population of the Netherlands East Indies, thus preparing to share in the social movement which may be observed in other nations, will be able to maintain its own individual character and its own civilization.

In concluding this brief outline of the development of the people of the Netherlands East Indies, we may state that, even during the years of the present century which preceded the War, both socially and politically they have gone through a tremendous unfolding. The native population, like the foreign orientals, has emerged from its former characteristic intellectual indolence to the consciousness of a people eager to work itself up to a higher plane and anxious to participate in the promotion of its own interests. The Government has had the opportunity to show that it takes the welfare of the population to heart in a greater degree than it did formerly. The policy of the centralization of power has been abandoned, and the way made clear for the relegation of power from the central organization to the sundry communities of the country. Since it was felt that the former autocratic system of the Government should be given up and that the inhabitants should participate in the promotion of the public welfare, various representative councils have been instituted in which coöperation by the inhabitants could be embodied. The barriers which formerly separated the races have become weaker, and the equality of races, achieved politically, is becoming more and more evident socially. The education of the people has been more effectively maintained than formerly, and their coöperation has not been lacking.

All this did not come about before 1914, but that which has been effected during the first years following 1914 may still be included in the pre-war period, as it has all been a result of that which had previously been planned and made ready. The events which took place on the world-stage after 1914 on the one hand caused a quickening of the process of development in the Netherlands East Indies, and on the other brought to light ideas which otherwise would not have become manifest for many years.

CHAPTER VI

THE ECONOMIC CONSEQUENCES OF THE WAR

In the Netherlands East Indies as in Europe, the rapid series of declarations of war caused a panic which abated only when a proclamation was issued stating that the Netherlands would remain strictly neutral and that her position was recognized by the belligerent Powers. In the Indies and in Europe alike the question of food supplies gave rise to the utmost anxiety, since they depended upon imports for a number of commodities. The storming, figuratively speaking, of shops and importing houses caused prices to rise immediately, thus giving the Government occasion to intervene and to take measures, necessity for which was to become apparent during the years that were to follow. Exports of maize, groundnuts, rice, and cassava products were prohibited; the commissariat was instructed to take steps necessary for the purchase of the essentials of life for officials of the State, and, where required, for the civil population; maximum prices were fixed for some articles, such as rice. None of this proved imperatively necessary in 1914, for stocks, especially of provisions, were so large in the Netherlands East Indies, at least for the time being, that there was no reason for anxiety as to lack of food, the consequence being that most of the export prohibitions were withdrawn after one or two months.

Neither was there any cause to fear a financial crisis, for although foreign capital was largely interested in the Netherlands East Indies, it was invested in various undertakings, so that its liquidation was out of the question. It is true that some of the chief towns in Java had stock markets, but they dealt mainly in shares and bonds of Indian enterprises, with the result that they were able to continue trading after a short stagnation, although transactions in "futures" were excluded.

The only financial measures that had to be adopted were the decrees under which the notes of the Java Bank were declared to be legal tender, the obligatory specie covering being reduced from 40 to 20 per cent, and the sphere of activity of the bank of issue being extended in such a way that it could energetically support commerce and industry. In 1915, it became necessary to prohibit exports of

gold and silver coin and to issue notes of one and two and a half guilders. The gold produced in the Indies was purchased by the Java Bank at the rate of 1,648 guilders per kilo fine. Ultimately, an ordinance was promulgated which authorized the Government to issue and to mortgage treasury notes and exchequer bonds.[1]

Thanks to these measures and to the strong position of the Indian banks, the first shocks were splendidly resisted, and economic life in the Netherlands East Indies soon resumed a fairly normal course, especially when foodstuffs continued to arrive uninterruptedly and the shipping of produce was not seriously hampered. Prices of provisions, especially rice, gradually fell after the very strong initial rise; the moneys withdrawn from the banks were redeposited by the holders; the fear that a number of activities must cease on account of financial stringency disappeared as soon as the banks abandoned their attitude of reserve. When dealings in exchange were resumed, when the shipping companies again offered space for cargo, and when the various articles of produce were once more in demand for export to the belligerent countries, the prices for Indian export produce rose after their initial sharp decline.

The difficulties still to be overcome were by no means small, especially during the first few months of the War when the belligerents had not yet determined what should be considered absolute contraband and what conditional contraband, and what commodities might be transported freely. After the first alarming reports, the steamship lines decided to maintain only the steamers of the mail service and to carry cargo for the Netherlands in these only. In the second half of August, 1914, however, freighters were again put in service, and cargoes were accepted for all destinations, though at a much higher rate. According to a communication from the Section for Industry and Commerce[2] this was fixed on August 1, 1914, at 15 guilders per cubic meter. On August 12 freight rates for all commodities were raised by 20 per cent, and after this, one increase followed the other. As from November 20 the freight rate was already 30 per cent above that of August 1, and on December 16 another 20 per cent was added, to say nothing of the supplementary charges applied to various articles of produce. The freight rate for coffee, for example, had risen from 19.50 guilders on August 1 to

[1] *See* footnote, p. 61.

[2] *Feiten en maatregelen inverband met den europeeschen oorlog, 1916.*

30.50 guilders per cubic meter in December. Other impediments followed. After September 3 no cargoes were accepted for the Central Powers, and in the same month it became necessary to decide to stop all shipments of rice, cocoa, coffee, tapioca, tea, and rubber, unless destined for a French or British port.[3] Various other products could be consigned to the Netherlands Government, while shipments of coffee in small quantities of twenty tons might be sent to the Netherlands. For copra, an important article of export, no measures of restriction had yet been adopted, but its export was seriously impeded by lack of cargo space, part of which was taken up during this first year of the War by native pilgrims who had to be sent back from Jeddah to the Netherlands East Indies.

In addition to the restraints imposed by the regulations having to do with contraband, which were constantly being altered, trade was hampered by the delays in telegraphic communication due to the censorship and the closing of the Yap cable office, and also by delays in the postal service. The dislocation of the exchange market appeared very serious at first. Indian produce is generally sold f.o.b. and the exporter reimburses himself by drawing bills. The banks, however, were not prepared at first to discount those bills, since the position of the large London acceptance houses was unknown to them. The Java Bank then relieved the situation by taking over large sugar bills on England. Thanks to the measures of the Governments concerned, international exchange was soon reëstablished, although uncertainty as to rates sometimes proved an unsurmountable obstacle to safe transactions.

Despite all this, the economic situation of the Netherlands East Indies was not unfavorable at the end of 1914. The price of refined sugar had risen from 7.50 guilders per picul in July to 12 guilders in December, and actually reached 13.25 guilders in August, thanks to large purchases for British account. Prices of tobacco and coffee were satisfactory, as were those of tea, rubber, and other European plantation products. On the other hand, such native outputs as copra, peanuts, cassava products, maize, and rice remained low be-

[3] Similar measures were taken in Surinam, where exports of foodstuffs, coal, and oil were likewise prohibited, while maximum prices were fixed for rice. There it was the Surinam Bank which purchased the gold produced in the country and gave the needful support to agriculture, commerce, and industry.

cause of export prohibitions and high freight rates. The reduced purchasing power of the people was strongly felt by the import trade, whose turnover, according to the publication cited above, was only one-third of normal. The position improved somewhat in 1915, at least for importers. Orders sent to Europe either remained unfilled or were executed only in part, so that old stocks fetched good sums. It is true that the turnover continued to be small, but profits were much larger, a situation which was less pleasant for European and native consumers, of whom only a very small fraction benefited from the higher charges for products.

Prices of pepper, cassava, and copra had advanced considerably, owing to a demand from America, and extraordinarily good prices could be obtained for sugar, tea, coffee, and rubber; but other commodities, such as the forest products, whose sale was so important for the Outer Possessions, were seriously handicapped by difficulties of shipment. The proceeds of such native outputs as maize, rice, peanuts, etc., did not rise above normal, and the general level of wages failed to keep pace with the mounting cost of living.

The shipment of the most important articles of export still took place with fair regularity, partly in consequence of the intermediation of the Netherlands Overseas Trust Company (the N.O.T.) which meanwhile had been founded at Amsterdam. In September, 1914, word came from the Netherlands that goods which were forbidden to be reëxported from the country (contraband and conditional contraband), which included several Indian products, could be consigned to the Netherlands Government. By this measure the latter hoped to induce the belligerents to consider it a sufficient guarantee when commodities thus addressed were destined exclusively for consumption in the Netherlands. But, as the former Minister, Dr. M. W. F. Treub, says in his *Reminiscences* (*Oorlogstijd*), this was no easy matter. It was necessary to frame an agreement which should be binding not only on the importer but also on subsequent buyers of goods consigned to the Government, and in case of infringements of contractual obligations in respect of such goods this might become a source of international difficulty. The Government was, therefore, greatly pleased when commerce itself created a plan to take over this task, and thus, on the initiative of Dr. C. J. K. van Aalst, the President of the Netherlands Trading Company, the Netherlands Overseas Trust came into being for the pur-

pose of "acting as an intermediary in the largest sense of the word on behalf of Netherlands merchants or commercial concerns in order to ensure, as far as possible, unhindered import and export of merchandise, despite the situation arising from the War." The Netherlands Overseas Trust succeeded in gaining the confidence of the Allied Governments so that Indian produce could be exported to the Netherlands if the conditions of the Company were met. On the other hand, the number of commodities which were subject to these terms, and which, therefore, could not be shipped to the Netherlands without previous permission of the Company constantly increased, while in 1916 there was a similar increase in the list of products for which Netherlands Overseas Trust Company permits were no longer granted. This repeatedly resulted in stagnation and forced Netherlands East Indian exporters to look for other outlets.

From 1916 onward exports to the United States, Australia, and eastern Asia increased heavily, and, as a table will presently show, importers also began to order more and more goods from America and Japan, so that by the end of 1915 the shipping companies decided to open the Java-Pacific Line.

As early as the autumn of 1914, the Netherlands Steamship Company and the Rotterdam Lloyd had begun service from Java to New York round the Cape, since transshipment from the Netherlands to New York by the Holland-America Line had become impossible. These two lines rendered excellent service to Netherlands East Indian commerce, although they charged very high rates of freight, this being readily intelligible since they themselves had to contend with great dangers and serious risks from submarines and mines. During 1916 these difficulties did not decrease, as is attested by the relevant statements of Dr. M. G. de Boer in his book on the Netherlands Steamship Company. The coal supply, he says, became increasingly uncertain; moreover a Turco-German attack on the Suez Canal was not unlikely. Hence, the mail route had to be shifted around the Cape in January, 1916, and was necessarily changed to a triweekly service. Under the Law on the Foreign Sale of Ships, the Company, like its competitors, lost the right to control the use of its own vessels, several of which were employed for carrying grain from America to the Netherlands. Three-quarters of the space of cargo boats sailing from the Indies to the Netherlands, and one-quarter of the space of the mail steamers, had to be placed at the

disposal of the Netherlands Government for transporting foodstuffs to be obtained from the Netherlands East Indies. At this time the Java-Bengal line also was of much importance, since the British ships plying between those countries were commandeered by their Government, so that both the importation of rice from British India and the export of sugar thither took place only through this line.

Although by the end of 1916 large stocks were necessarily placed in warehouses owing to lack of cargo space, and only cinchona and tobacco could be exported freely to all destinations, the commercial houses and plantation companies had no cause to complain. The native cultivator also saw the prices of some of his products rise, and he thus received a certain compensation for the dearth which became more and more evident. Generally speaking, however, the cost of living for the great masses of the people did not improve, this being particularly the case in the Outer Possessions. For the prime necessities of life, such as rice, sugar, meat, bread, and clothing, the index-number had risen to about 140 towards the end of 1916, as compared with 100 in 1914. Foodstuffs of foreign origin, such as flour, maizena, milk, etc., were on an average more than 50 per cent dearer than in 1914, while textiles had risen by about 30 per cent in 1916.

We have already alluded to the shifting of the Netherlands East Indian import and export trade with the United States and Japan. This is shown by the following figures:

	The United States		*Japan*	
	1914	*1916*	*1914*	*1916*
	(*in millions of guilders*)			
Imports	10	31	6	27
Exports	16	98	19	18

Whereas, therefore, America was very important during these years of war both for imports from and exports to the Netherlands East Indies, Japan proved noteworthy only as a source of supply for needed imports. Her evident desire to avail herself of this opportunity to obtain a firm footing in the Indian market for her manufactured articles was shown by the very serious way in which the Japanese manufacturers reconnoitered the new outlet. Parties of travelers consisting of merchants, bankers, and teachers visited Java and the Outer Possessions; Japanese banks were established in the chief towns, the number of Japanese shops increased rapidly; a

Japanese sugar refinery took an interest in the Java sugar industry, etc.

Another consequence of the War was Batavia's growing importance as a market. Rubber, tin, and tea, formerly traded in almost entirely at Amsterdam, were sold at Batavia in increasing quantities, a fact which caused some anxiety to Netherlands commercial houses who feared a permanent transfer of this trade. In the meantime, the Government of the Netherlands East Indies was watching this development with much interest, as is evident from the following remarks in the Colonial Report for 1916:

"The experience of the past few years has shown that in various respects the Netherlands East Indies have their own interests in regard to commerce and shipping which require independent furtherance. Commercial traffic, under the pressure of circumstances, left long-trodden paths, sought and obtained fresh markets, and loosed ties that had existed for many years.

"It is to be expected that these new paths will not be abandoned after the War, and that trade can no longer be directed entirely along the old routes. A complete reëstablishment of the former connections, which were mostly kept up through the mother country, must be deemed out of the question, since the opinion is gaining ground increasingly that the Netherlands East Indies can do without that link in many cases and that they can and must look after their own interest independently."

We shall see presently how far this prediction has been confirmed.

In 1917, the situation became very serious, especially in respect of the shipment of products. In February of that year, Germany began intensified submarine activity, and shortly afterwards the United States also declared war upon the Central Powers. The consequence was a serious reduction of traffic with Europe, and especially with the Netherlands; and the situation was further accentuated when the Netherlands Government withdrew vessels under its flag from Indian traffic, since they were considered indispensable for bringing foodstuffs into the ports of the Netherlands. By the end of July, the position of the market seemed so precarious that Indian commerce and agriculture strongly urged the Home Government not to commandeer any more ships (though this obviously could not be promised), while sharp protests were being uttered against the shipping companies which quietly continued to raise

their freight rates. That their course was not without reason, however, was evident from the fact that during the year 1917 only five ships arrived in the Netherlands from the Netherlands East Indies, and that only sixteen vessels sailed outward bound to the East Indies. During 1914 to 1916, the four largest ports of the Netherlands East Indies were still visited on an average by 4,400 steamers, with a total capacity of nearly 25 million cubic meters; but in 1917 the number was scarcely 4,200, and the capacity amounted to only 19 million cubic meters, or a decline of 6 million. The offers of cargo space to Europe and to the east coast of the United States amounted to 156,500 tons in 1917 as contrasted with 455,200 in 1916. It was only for the west coast of America that tenders increased, rising to nearly 136,000 tons as compared with 56,000 tons in 1916, which at once shows the gain in traffic with this area. Owing to the constant decrease of cargo space the stocks produced necessarily accumulated in the shipping ports. The warehouses in the harbors of Java held, in excess of their normal contents, hundreds of thousands of bags of coffee, more than 800,000 bales of tobacco, at least 10 million bags of sugar (of which 4 million were the balance of the 1916 crop), and large quantities of tea, copra, and other products. A sharp decline of prices was the result.

Sugar fell from 14.50 guilders to 10 guilders per picul, Robusta coffee from 33 guilders to about 21 guilders per picul, rubber from 1.75 guilders to one guilder per half-kilo; and if America had not taken such enormous quantities of various commodities during that time, an annihilating economic collapse would have struck the Netherlands East Indies. America, however, saved the situation for the year. Whereas the value of exports to the United States had been only 16 million guilders in 1914, in 1917 it was not less than 200 million. More than 16,000 tons of tea were shipped to Canada and the United States, and for the first time tobacco was sent to America direct. These fresh outlets further took 40,000 tons of tapioca products, 18,000 tons of fibers such as kapok, sisal hemp, etc., 35,000 tons of rubber, gutta-percha, etc., 25,000 tons of coconut oil, 30,000 tons of copra, etc. In so far as goods could be shipped at all, the prices realized were such that the Netherlands East Indian commercial and estate enterprises were able to continue carrying the burden of their unforwarded stocks.

Nevertheless, 1917 did not pass without difficulties, and, in par-

ticular, many Chinese merchants, both dealers and speculators, were ruined by the fall in prices. The sugar speculators were especially hard hit; the smaller ones dragged the larger down with them, and forced sales depressed the market to such an extent that the sugar planters decided to establish a union to save the market from disorganization. Export trade did not improve when a political difference with Great Britain in October, 1917, caused a suspension of international commercial telegraphic communication until February of the following year.

For obvious reasons import trade was also obliged to contend with constantly increasing difficulties. Nevertheless, there was general satisfaction with the results, since the large profits more than compensated for the small turnover.

The situation as a whole did not become critical until 1918 when an increasing shortage of foodstuffs became perceptible.

Even during the first half of 1917 embargoes on the export of rice (in October, 1917, at Rangoon) and, in part, the failure of crops in countries of production caused a noticeable decrease in the imports of this foodstuff into the Netherlands East Indies, and the Government was already planning to intervene when, in December, 1917, an agreement was concluded between the Netherlands steamship companies and the Government of British India under which the former engaged to transport coal, rice, etc., between certain ports of British India, while the latter permitted the export of 400,000 tons of rice to Java from Rangoon and Singapore to prevent the threatening scarcity of food. In March, 1918, however, all Netherlands vessels in British and American ports were seized under the Right of Angary. The United States thus obtained 26,300 tons of cargo space, and Great Britain more than 206,000; but navigation under the Netherlands flag was at a standstill, at least for the time being. It was not until adequate guarantees had been obtained that further seizures would not be made, that Netherlands owners once more put their boats in service; but valuable months had been lost, and the opportunity for shipping Netherlands East Indian products had again been much reduced.

The breaking of the agreement with the Government of British India forced the Netherlands East Indian Government to assume the task of importing rice. This commodity was already scarce in some regions, and in others prices were rising considerably. By tak-

ing over cargoes under way, by purchasing rice in various countries of production, and by having this shipped by the steamers of the Royal Packet Navigation Company, the Government succeeded in distributing 85,000 tons of foreign rice in 1918. This, together with the quantities of the domestic product and other foodstuffs stored by the Government, proved sufficient to prevent want. Flour was purchased in Australia, soya beans were imported from Manchuria, and sago was brought to Java from the Outer Possessions. In various areas, however, it was found necessary to take steps to prevent inflation of prices, and after March, 1918, supervision was facilitated by the gradual prohibition of interinsular and interprovincial exports of rice and other foodstuffs, such as maize and tapioca.

Many further measures were adopted to supply the native population with food and also to furnish the plantations in the Outer Possessions with rice at reasonable prices for the imported coolie labor. As early as the end of 1917 all the heads of Provincial Governments had been officially urged to increase the cultivation of foodstuffs by such means as efficient control of the distribution of water for irrigation and pressure on the people to plant all available ground with cassava, maize, carrots, peanuts, etc. Furthermore, the European plantations were consulted as to growing rice on their lands. Fallow soil was discouraged, and entrepreneurs who employed contract labor were obliged to keep a certain stock of foodstuffs on hand or to cultivate them.

Although some of these measures at once afforded good results, most of them were realized in theory more easily than in practice, since, generally speaking, the native population did not understand the necessity for them. In several areas prices of food had risen to such a degree that the inhabitants began to suffer want, thus giving rise to theft of cassava and sugar cane from European estates, as in Kediri, and to an increasing discontent which was so fanned by malevolent and nationalistic elements that there were local disturbances which had to be quelled by troops or by the police. At the same time the prosperity of the European plantations was sometimes in glaring contrast with the poverty of the people around them; and, consequently, anticapitalistic theories imported from the west exerted an increasing influence on the leaders of native political parties and of trade unions. This became very evident, *inter alia*, at the

Third National Congress[4] which was held on September 18, 1918, at which the following resolution was adopted: "Considering that the majority of the population lives in a miserable condition, the *Sarekat Islam* will always oppose any predominance of sinful capitalism."

Meanwhile "sinful capitalism" (*i.e.*, the European entrepreneur) was having no easy time in 1918. Not only had the export of its products ceased almost completely, but it was gravely hampered by the new regulations adopted by the Government of the United States which required licenses for the admission of practically all kinds of commodities. Other countries, including Great Britain, likewise limited both exports and imports from considerations of economy. These restrictions assumed such proportions that the Government of the Netherlands East Indies began to apprehend an exploitation of their territory in the sole interest of the belligerents. Moreover, the attitude of the foreign consular representatives in the Netherlands East Indies changed. At first only German and Austrian entrepreneurs and merchants had been placed on the "black list," but gradually it came to include every dealer who transacted even the most innocent business with the "enemy." Chinese and natives were also threatened with it, and Netherlands merchants who had, among their clients, blacklisted native or Chinese dealers, were actually entered on the "black list" or on the "gray list" rightly or wrongly by the mere denunciations of spies, and were seriously hampered in their business.

The Government finally decided upon reprisals. In April a number of export prohibitions were promulgated for the purpose of demanding from the purchasing country, in case of issuance of export permits (*e.g.*, for the tin and cinchona products, of which the belligerents were greatly in want), a reciprocal service, either in the shape of needed articles of import or through a mitigation of hampering regulations. A special Bureau for Foreign Commercial Affairs under the management of Dr. A. van de Sande Bakhuysen, Consul-General for the Netherlands at Singapore, was charged with the issuance of licenses, and although the effect of this measure did not quite come up to expectations, some relaxation on either side was to be noted.

Although, as we have seen, the Java sugar industry was menaced by a severe crisis at the close of 1917, and though the Java Sugar

[4] *See* below, p. 104.

Union endeavored to prevent a collapse of the market, 1918 was destined to prove that this organization was unable to do so. Great Britain had ceased to purchase; British India obtained supplies from hand to mouth; Japan alone continued to buy because the Formosa crop had been disappointing and because she possessed cargo space for export to America. The members of the Java Sugar Union, moreover, were unwilling to bind themselves for the 1918 crop, the consequence of all this being that prices declined from 10 guilders to 5.50 per picul of refined sugar, which was far below cost. The outlook was very dark. Of the 1917 crop 8 million piculs were still unsold, and the 1918 crop, estimated at over 28 million piculs, was already coming in. A conference of the largest sugar exporters and planters decided upon coöperation, and the Government promised support. The minimum price was fixed at 7.25 guilders, and export permits were granted only to those who were ready to join the association, which guaranteed reimbursement of the lots sold. Shortly after, however, an organization was established at Amsterdam without the exporters. This was known as the United Java Sugar Producers (the V.J.P., or *Vereenigde Javasuiker Producenten*) and though it received no government aid, it took care of the sale of the greater part of the Java sugar both then and during the ensuing years. Meanwhile the 1917 crop and a third of the 1918 crop had been sold at rising prices, and when a demand set in from all quarters after the armistice, the worst was over, and the sugar industry enjoyed a period of prosperity during which the relatively small damage of 1918 was more than doubly made good.

We may note in passing that most of the sugar plantations had reduced their area under cultivation by about 15 per cent, partly because the Government, in the interest of the supply of foodstuffs, were considering a forced, but unrealized, curtailment of land under sugar and tobacco by 25 per cent, and partly because the low quotations between March and August rendered a diminution of output desirable.

Other export commodities were likewise obliged to contend with declining prices until October; and this situation gave rise to the establishment of a union of coffee-growers at Surabaya, of tea-growers at Batavia, of rubber-growers at Batavia, and of cocoa-growers at Semarang. The difficulties for these, however, were not so serious that recourse must be taken to organized sale. The favor-

able effect of the armistice is clearly seen from the following table giving the course of prices during the months of January, July, and December, 1918:

	January	*July* (*in guilders per picul*)	*December*
Robusta coffee	21.50	16	32
Cocoa (prime native-grown)	45	42	48
Copra	12	..	18
Coconut oil	30	32	44
Gum damar	33	34	42
Shelled groundnuts	12.50	12.50	17
Buffalo hides	28	15	30
Kapok	36	38	43
Black pepper	43	36	45
Tapioca flour	8	7.50	9
Rubber (per ½ kg.)	1	0.60	1.10
Goatskins (per skin)	1.75	1	2.10

This table also shows that various domestic products, such as hides, skins, tapioca, peanuts, damar, and pepper, attained a considerably higher price level, and, as we shall see, 1919 was destined to become a year of unprecedented prosperity for the native cultivator. In the meantime, the price of foreign rice remained very high, and until the end of 1918 the Government was obliged to pay about 10.50 guilders per picul c.i.f. Java ports, or more than double the pre-war rate.

Importers continued to enjoy a market which was singularly favorable for them. It is true that there was a decline towards the end of the year, but early in 1919 the market became brisk again when prices in Europe did not immediately fall. The reduced cargo space kept stocks small, and prices high, while a further rise was stimulated by the constant increase in freight rates and the higher import duties. Trade shifted in 1918 even more than in 1917, this time in favor of Japan, although the quality of Japanese goods left much to be desired. If the United States had not greatly impeded commercial traffic with the Netherlands East Indies in 1918 by imposing its system of licenses for imports and exports, and if its manufacturers had better adapted themselves to the requirements of Indian buyers, the United States would undoubtedly have found a permanent outlet for a large number of articles in the

Indies. As we shall see, America was soon obliged to cede to her former competitors much of the trade she had gained. Japan, on the other hand, did her utmost, which, as already remarked, at first meant sending large quantities of goods of inferior quality. Gradually, however, she learned to adapt herself to the requirements; and although she is not yet a match for her European rivals in textiles and small wares, she still supplies the native market with certain commodities which can never again be ousted by European goods, and she is applying herself more and more to quality as well as to quantity.

In 1918 the Netherlands East Indies exported to Europe to the value of 65 million guilders as against 300 million guilders in 1914; to the United States 110 million guilders (200 million in 1917) as against 16 million in 1914; to Japan 78 million guilders (31 million in 1917) as against 19 million in 1914; to Singapore 164 million guilders as against 106 million in 1914; and to Australia 28 million guilders as against 20 million in 1914; the balance going to eastern Asia.

In the same year the Netherlands East Indies imported from Europe to the value of 95 million guilders (79 million of which came from Great Britain alone) as against 235 million in 1914; from the United States, 62 million guilders (61 million in 1917) as against 10 million in 1914; from Japan 114 million guilders (55 million in 1917) as against 7 million in 1914; from Singapore 134 million guilders as against 59 million in 1914; and from Australia 21 million guilders as against 10 million in 1914; the balance coming from eastern Asia.

We should here remark that Singapore remains a somewhat obscure factor. Imports from it consist chiefly of rice, fish, and other Far East products, but a few tens of millions represent the value of transit goods, such as textiles, hardware, etc., the origin of which is not known, but which doubtless come partly from Great Britain and partly from America and Japan. In normal times, however, this transit trade does not play an important part, so that at present the imports of these goods from Singapore, considering the higher values, are about the same as in 1913 and are of little consequence for our argument.

While importers were easily able to obtain the higher prices from their clients, it was much more difficult for the consumers to adapt

their incomes to the increased cost of prime necessities of life. It is true that the Government assisted its officials by bonuses, and that the coolies were able to obtain good wages in the ports; but in the interior conditions did not move with the times, this being one of the causes of the discontent alluded to above. Prices of Rangoon and Singapore rice rose during the course of the year to 10 and 13 guilders c.i.f. Java, whereas the normal rate was about 5 guilders.

Native enterprises also were far from prosperous, as in the case of the batik industry, where a very large number of workmen were unemployed and in want of daily bread. On the other hand, the oil mills, established by Europeans mainly for extraction of oils from copra and groundnuts, prospered greatly, owing to the scarcity of fats in America and Europe. The rise, growth, and decline of this industry is clearly reflected in the export figures of coconut oil during the years 1914 to 1922:

1914	*1915*	*1916*	*1917*	*1918*	*1919*	*1920*	*1921*	*1922*
			(*in millions of liters*)					
3	8	13	30	33	83	87	42	3

The crash came towards the end of 1921, and since that year the Indian vegetable-oil industry has ceased to exist as a large export activity, although a few mills have outlived the collapse. It is by no means impossible, however, that the manufacture of coconut oil may again increase rapidly if it remains free from the abnormal influences which even in Europe allowed only a brief existence to a great number of war industries.

The year 1919 and the major part of 1920 formed the period of apparent prosperity. In every sphere and in all circles large resources seemed to be available, and the high prices of the necessities of life evidently caused little or no anxiety.

The commodities produced by the Netherlands East Indies were sold at fantastic prices, as is shown by the following quotations from the report of the Java Bank for 1919-1920:

	January, 1919	*December, 1919*
	(in guilders per picul)	
Sugar	14	45.50
Robusta coffee	35	64
Copra	17.50	34.50
Black pepper	45	45
Tapioca flour	11.50	13
Tin	159	196
Rubber	1.02 per ½ kg.	1.47 per ½ kg.

Enormous prices were also obtained for tea, from 32 to 34 Netherlands cents being paid per pound for good orange pekoe in April, and from 55 to 70 cents in December; native-grown cotton was purchased by Japan at the extravagant figure of 22 guilders per picul (the normal rate being about 10 guilders); groundnuts fetched 34.50 guilders (normally from 10 to 15 guilders); kapok rose from 31 guilders to 75 per picul, and coconut oil from 40 to 62 guilders, etc. Tobacco alone formed an exception, since three crops were put on the European market simultaneously. Of course the natives likewise profited by these favorable circumstances. But for them there was another side to the story as well: the cost of rice also rose, the distribution price of imported Siamese rice at the capital, Batavia, reaching 17.80 guilders per picul (the normal rate being between 5 and 5.50 guilders). Although a small proportion of the cultivators were able to sell their crops of paddy at good prices to the Distribution Bureau, which purchased nearly 7 million piculs in 1919, by far the greater part of native rice was consumed by the producers themselves, so that the higher cost of living must necessarily be defrayed by the proceeds of secondary crops and fruit, such as coconuts and kapok, and those who had no produce for sale were, of course, badly off. Broadly speaking, large profits were out of the question for the natives during these years, so that they found the ensuing days of depression doubly hard to bear when the prices of produce fell rapidly, while the cost of living remained high.

Commerce and agriculture, on the contrary, profited twice: not only did the quotations rise, but the quantities exported were unusually large in 1919 and 1920, since with the conclusion of peace much more cargo space became available, so that it was possible to ship the accumulated stocks of the preceding years.

The following figures will give an idea of the quantities of com-

modities shipped in 1919 and 1920, as compared with the corresponding figures for 1918 and 1914:

	1914	*1918*	*1919*	*1920*
		(in millions of liters)		
Kerosene oil	465	379	406	352
Petrol and gasoline	315	317	573	490
Liquid fuel	203	219	754	935
Coconut oil	3	33	83	87
		(in millions of kilograms)		
Groundnuts	17	8	17	19
Copra	243	68	330	182
Gum damar	8	7	10	10
Rubber	10	44	90	77
Hides	5	4	14	8
Coffee	32	7	124	62
Black pepper	16	20	32	13
Sugar	1,300	1,500	1,800	1,500
Tobacco	67	8	135	124
Tapioca products	85	28	180	122
Tea	31	30	55	46
Fibers	28	27	37	33
Oilseeds	21	1	23	20

In 1920 exports began to assume a normal aspect, and at the same time a fall in prices set in, which was to continue in 1921.

In round numbers the course of prices was somewhat as follows:

	Early in 1920	*End of 1920*	*1921*
	(in guilders per picul)		
Sugar	45*	20	13
Robusta coffee	64	28	30
Copra	34	20	14
Coconut oil	57	40	20
Tapioca flour	13	7	7
Black pepper	45	20	16
Kapok	75	48	45
Rubber (per ½ kg.)	1.40	0.50	0.60
Tea (per ½ kg.)	0.60	0.30	0.40

* Sugar reached 70 at one time.

Deli tobacco alone was in strong demand, and although the 1920 crop was rather small, its export value was 70 million guilders.

The sharp decline naturally resulted in tremendous losses, though

not for such estate companies as could make satisfactory profits even at the reduced prices. Only the rubber and tea plantations were forced to sell for some time at cost or less, with the result that several companies changed hands and some were obliged to go into liquidation. The greatest sufferers, however, were the commercial houses whose stocks declined in value, as well as the speculators who had made forward contracts at high rates. Importers also saw the war profits which they had made in the preceding years dwindle away, especially as considerable orders had been cabled to Europe when the expected decline in prices did not take place immediately after the armistice.

Thanks to the purchasing power of the consumers, all goods found a ready sale in 1919 and 1920; but by the end of 1920 a reverse made itself felt. Many new houses had taken up the import trade which looked so profitable, especially representatives of German industry, which hastened to try to recover part of the lost outlet by sending what might be called a torrent of goods; firms of old standing also extended their import business in a manner which, speaking after the event, was unjustifiable; large stocks of inferior articles, which had been imported during the War owing to the lack of better ones, had to be cleared at any cost; the goods which had been ordered in 1918, but which could not be forwarded from Europe because of lack of cargo space, had been shipped to their destination late in 1919 and early in 1920; and when they arrived, they increased the existing supplies to an alarming extent, so that textiles, small wares, and iron and steel goods rapidly declined in value. Only foodstuffs remained dear.

When at this time Europe began to underbid the market, and cotton fell by about 50 per cent, the situation of the Indian market became hopeless. Not only did the newly established importing firms vanish from the scene, but some very old established houses of good standing were forced into liquidation or were obliged to reorganize their affairs in such a way that their original capital must be considered as lost. The so-called technical bureaus, which supply the plantations with machinery and material, and which are obliged to hold considerable stocks of iron and steel, were little better off, and only the strongest could hold their own.

It would carry us too far afield to describe the events of the period from 1920 to 1923. For our purpose it will be enough to say that

commerce and agriculture gradually resumed their normal course. Yet the economic position of the Netherlands East Indies has no more regained complete equilibrium, even in 1925, than has the rest of the world. The many gaps which the War made in world-stocks are still unfilled, and this condition repeatedly causes violent fluctuations in price; the consumption of some products has increased, whereas their production has been partially suspended for some years or has not been normally extended owing to the War. Hence such commodities—we may here refer to sugar, rubber, and tea—are in a particularly favorable position at the present time. Still we think that we can draw sufficient data from the 1923 returns in connection with subsequent events to be able to establish the economic consequences of the War for the Netherlands East Indies. For that purpose we shall first review the exports from the Netherlands East Indies, the total values of which were as follows:

1913	*1914*	*1915*	*1916*	*1917*	*1918*
		(*in millions of guilders*)			
684	684	771	868	793	680

1919	*1920*	*1921*	*1922*	*1923*
2,167	2,238	1,196	1,149	1,378

The difference in the value of exports between 1913 and 1923 was, therefore, about 690 million guilders, and thus apparently amounted to an advance of about 100 per cent in a decade.

If, however, we consider the returns more closely, we observe, in the first place, that a large part of this increase in value is due to the high rates per kilo which must be assessed for various products by the head office of import and export duties, where the statistics are compiled, as is shown by the following examples:

	1913	*1923*
	(*in guilders per kg.*)	
Sugar	0.12	0.27½
Deli tobacco	2.70	4.36
Other leaf tobacco	0.70	0.85
Quinine	20.	45.
Tapioca flour	0.11	0.18
Kapok	0.65	1.28
Tea	0.83	1.58
Copra	0.24	0.26½

Rubber, on the contrary, was much higher in 1913, but exports at that time were still very small. Pepper, coffee, and many other commodities were assessed at lower values in 1913, although this exercised little influence on the value of exports. When we take all this into account, we find that the difference of 690 million guilders between the values of exports in 1913 and in 1923 should be attributed to the following commodities:

	Increase (in thousands of tons)	*Total advance in value (in millions of guilders)*
Petroleum products (petrol and million liters of liquid fuel)	1,000	65
Sugar	350	320
Rubber	136	145
Tea	22	55
Coffee	10	10
Quinine	.18	10
Tin, tin ore, and other minerals	4	15
Tapioca, sundry products	26	10
Copra, including estate-grown	90	30
Kapok and other fibers	4 7	15
Oilseeds and kernels, volatile oils	15	10
Pepper	10	
Pinangnuts	10	
Ebony wood	20	10
Bakau bark	5	
Charcoal, etc.		
Textiles, iron and steel, and other reëxports		20
Total		715

From this should be deducted the decrease in value for exports of native rice (over 6 million guilders), Deli tobacco (5 million guilders), Java tobacco, and other products such as gaplek, cassava roots, forest products, indigo, and cotton, or about 25 million guilders in all, leaving a net result of 690 million guilders.

The export figures for 1924, unfortunately, are not yet known. The Java Bank, however, has published these statistics for Java and Madura in its annual report for the year in question, and they prove that, owing to the extraordinarily good crops, a number of products show a considerably higher amount. Thus, not less than 1,829,000

tons of refined sugar were shipped from Java in 1924, and exports of Java tobacco rose from 38,000 tons in 1923 to 50,000 in 1924, of coffee from 21,000 to 39,000 tons, of maize from 38,000 to 79,000 tons, and of rice from 25,000 to 38,000 tons, while the export of coconut oil likewise began to recover and rose from 1.4 million liters to 7.9 million. Since, moreover, the prices of most commodities were higher in 1924 than in 1923, the export value for the former year should probably be estimated at rather over 1,500 million guilders. From all this we may conclude that the cultivation of commercial products has strongly developed. The following war influences may here be noted.

Where no abnormal growth is recorded, it may be said that, broadly speaking, the plantations have profited by the war prices and are at present stronger financially than in 1913. This applies particularly to the sugar industry, which did not increase greatly in extent, but which booked large profits.

The considerable expansion of the output of rubber, tea, and coffee is only in part a result of the War, since it is due to the establishment of many plantations between the years 1907 and 1914. These reached their maximum output during the years of hostilities and afterwards, and they also expanded during that time under the influence of war prices. The strong rise of the price of rubber as a direct consequence of the War has, furthermore, induced the natives of Sumatra to apply themselves to its cultivation, which means no inconsiderable profit for them.

The demand for tapioca products increased greatly during the War, especially in the United States, and a considerable expansion of the Java tapioca industry is due to this fact. Although this activity is almost entirely in the hands of Europeans and Chinese, the native population derives indirect benefits from it.

The greatly increased demand for fats was a further advantage for the native inhabitants owing to the expansion of coconut plantations and of the preparation of copra, although the Indian vegetable-oil industry was not quite able to maintain its position.

These advantages for the natives were counterbalanced to some extent by the restriction of the export of certain products and by the cessation of the exports of rice and maize because of the scarcity of foodstuffs. The figures for 1924 show that it was not until that year that exports of these domestic articles began to recover.

The large financial resources due to the excess war profits of 1917 to 1919 greatly stimulated the spirit of activity in the Netherlands East Indies themselves, many small enterprises being established in which foreign orientals also took an interest. The profits of the large companies were applied partly to the strengthening of their reserves, and partly to the expansion or renovation of their estates, while the favorable aspect of their balance sheet made it easy for them to obtain fresh funds. Hence most of the plantation enterprises and plantation banks proceeded to increase their capital to a considerable extent, thus financing expanded operations or the establishment of affiliated companies. The *Handelsvereeniging Amsterdam*, for example, enlarged its capital between 1914 and 1922 by nearly 8 million guilders, and the *Cultuurmaatschappij der Vorstenlanden* by over 10 million. The banking establishments in the Netherlands East Indies likewise increased their funds, especially as they were obliged to do so in order to finance the large quantities of products still stored in Java in 1918, as well as to meet the enormous demand for money in 1919 to 1921. During these years, however, the influx of capital was very small, except from the Netherlands; and when the lean years of 1921 to 1923 followed the fat, capital both in the mother country and in the Netherlands East Indies was very reserved and there was more talk of restricting operations than of creating new enterprises. The period from 1914 to 1923 was not, therefore, particularly favorable for the development of the Netherlands East Indies, in so far as that was contingent upon the inflow of capital from abroad and upon the reclaiming of jungle by large agricultural companies. A similar inference may be drawn from the following returns of the Board of Agriculture regarding the areas under cultivation by large plantations:

	Number of bahus *in*	
	1918	*1923*
	(*in thousands*)	
Coffee (including plantations with mixed cultivation)	180	179
Sugar	230	230
Tea	126	128
Rubber	425	526
Coconut palm	33	64
Oil palm	8	23
Cinchona	19	24
Cocoa	9	9
Coca	4	2
Kapok	12	14
Agave	14	16

We may further attribute to the effects of the War the fact that the attention of some countries, including the United States, has been strongly attracted to the possibilities of the Netherlands East Indies, and that the better knowledge thus obtained will undoubtedly lead to larger participation in Indian enterprise, although in the long run more peaceful means would also have roused the interest of those lands.

The export of commercial crops grown by the native population has likewise increased, especially in the case of rubber. None of the native-grown rubber was exported in 1914; but in 1918, 5,000 tons were shipped, this number rising to 53,000 in 1923. There is no doubt that in this case war prices influenced the situation, and they have taught the natives that a rich source of profit may be created with little trouble and small means by simply making ample use of soil and climate for supplying goods demanded by foreign markets. While the Sumatrans in particular have learned the economic lessons of the war years, in Java and the other Outer Possessions also the strong fluctuations and the brisk speculative activity have finally made the natives realize that the cultivation and sale of export products is profitable and affords the only means for facing the increased cost of living. Formerly the cultivator was able to provide for his modest wants by the barter of produce, but gradually money transactions were introduced in the agricultural trade. During the years when prices were high this caused difficulties to the farmer and his helpers, who received their wages in rice, since the cost of tex-

tiles, kerosene oil, and other necessities had risen proportionally more than the value of their surplus of rice, provided there was one. If the yield of the land could be increased, there need be no question of impoverishment. But although the total output of native-grown rice and export products was larger in 1923 than in 1913, this gain was by no means proportionate to the increment of the population; and, moreover, the yield per bahu had declined owing to the cultivation of inferior land. Only energetic support of native agriculture, improvement of agricultural methods, agricultural instruction, agricultural credits, irrigation works, and the like can protect the native farmer from further decline. Unfortunately we must also ascribe to the War the fact that the Government of the Netherlands East Indies has devoted too little attention to these matters during the last decade, chiefly from considerations of economy, as we shall see when we discuss the influence of the War on the budget of the colonies.

We have already remarked that excess war profits have been out of the question for the natives, although 1917 was not unprofitable for a modest proportion of them. It is, however, of interest to inquire what has become of the large profits of commerce and of the plantation companies.

By comparing the yields of the income tax up to 1914 with the corresponding returns for 1914 to 1924 we estimate at about 3,375 million guilders the profits which should be regarded as a direct or an indirect consequence of the War, although we must remember that the higher returns of 1922 to 1924 were due to the collection of taxes payable for the preceding years.

Before the War, the yield of the income tax, including the trade tax—since 1920 both have been amalgamated into a general income tax for all groups of the population—amounted to about 20 million guilders annually.

	Income tax		*Excess war profits tax*
	(*in millions of guilders*)		
1915	29		
1916	29		
1917	28		
1918	31		
1919	34	plus	25
1920	31	plus	28
1921	51	plus	55
1922	166	plus	46
1923	101	plus	29
1924	122	plus	20
Total	622	plus	203

To this must be added 85 million guilders in respect of various excess profits taxes on sugar, coffee, tobacco, tea, and cinchona, as well as 25 million guilders in respect of overdue excess war-profits tax and income tax.

These sources, accordingly, gave a total revenue of about 935 million guilders. Taking into account a normal increase, as well as the heavier taxation plus supertaxes, 375 million guilders at most may be considered the regular amount for those years, so that 560 million guilders represents the yield of taxation of the super-profits. Assuming that 15 per cent of such profits actually made passed into the Treasury—a percentage which is probably too low rather than too high,—we reach an excess profit of about 3,750 million guilders.

This calculation is, of course, not quite exact, and others estimate the excess profits at 3,000 million guilders, while others again set them at 4,000 million guilders and even above that sum. The overdue excess war profits tax and income tax proved later to be considerably more than 25 million; so that the excess profits must be estimated definitely at more than 4,000 million guilders. However this may be, it is more important for us to know whether these profits have benefited the Netherlands East Indies. Here the answer must be: To only a very small extent. We have already noted that the profits made in the colonies were applied in part to the extension of existing enterprises and the establishment of new ones.

Over against this increase of working capital in the Netherlands East Indies, the influx of foreign money was slow, whereas the major portion of the profits left the colonies to the benefit of shareholders

abroad. In other countries, such as the United States and Japan, the war profits could help permanently towards the financial strengthening of state finance, but in the Netherlands East Indies it was necessary to reckon with the fact that they would immediately disappear. Thus the power of economic resistance was strengthened elsewhere, while the Indies lacked this support, and, to make the matter worse, the profits were mostly spent abroad.

In respect of extraordinary taxation, it is true that about 560 million guilders were collected by the Treasury, but, as we shall presently see, this amount did not even suffice to cover the increased administrative outlay and the many unproductive expenses of those years.

The next problem for consideration is whether the exports of products have been permanently diverted to other channels owing to the War.

In the following survey of Netherlands East Indian imports and exports we must be content with the statistical returns for 1923, since the final figures for 1924 have not yet been fully published. Although the totals, especially those of imports, will be higher in 1924, the share of each country in the import and export trades of the Netherlands East Indies will have changed but little, so that the data for 1923 may serve quite well to show the consequences of the War.

The percentages of the shares of certain countries in the value of private exports of the Netherlands East Indies during the years 1913 and 1923 were as follows:

	1913	*1923*
	(in guilders)	
Total value of goods exported by private concerns	620,000,000	1,375,000,000
	Percentages by countries of the above	
The Netherlands	28	15
Great Britain	4	8
Germany	2	—2
France	4	5
Other European countries	5	5
United States	2	9
Japan	6	8
Australia	2	3
Singapore	18	17
British India	14	11
Other countries	15	17

The Netherlands' share of the exports of the Netherlands East Indies has declined considerably, whereas Great Britain and the United States show large advances.

With regard to Great Britain, this gain is for the greater part only temporary, the largest export item being sugar to the value of 51 million guilders. In 1913, on the other hand, she took no sugar from the Netherlands East Indies, and it is probable that she will again cover almost all her requirements from the European output of beet sugar as soon as this industry shall have recovered completely from the devastation of the War. The increased exports of tea to Great Britain, which have risen from 7,000 to 14,000 tons, are quite in proportion to the general gain in the shipments of this commodity from the Netherlands East Indies (26,000 tons in 1913 as against 48,000 tons in 1923). The remainder of the advance is due to the British imports of rubber to the amount of 11,000 tons, worth 15 million guilders, as against 2,000 tons in 1913, worth 6 million guilders. This is also an increase which is in proportion with the augmented production and with the additional consumption in Great Britain.

The figures regarding the United States are much more remarkable since in this case we find a strong increase of various Netherlands East Indian products which, before the War, used to be exported to America by way of the Netherlands.

A few of the important commodities exported from the Netherlands East Indies to the United States in 1913 and 1923 were as follows:

	1913		1923	
	Tons	*Value (in thousands of guilders)*	*Tons*	*Value (in thousands of guilders)*
Rubber	21	74	59,000	74,000
Gum copal	189	47	5,500	1,500
Gum damar	1,200	347	1,500	1,600
Hides	231	391	1,500	3,000
Coffee	2,500	2,000	6,600	5,400
Pepper	400	200	8,400	2,800
Tapioca products	24,000	2,700	43,000	8,000
Tea	135	100	4,000	6,300
Tin	....	....	3,000	7,000
Kapok	1,300	890	6,800	8,700
Agave fibers	....	....	16,500	7,800

The total value of exports to the United States in 1913 was 13 million guilders; in 1923, 135 million guilders.

This considerable diversion of export must be considered a direct consequence of the War, which forced the Netherlands East Indies to seek other outlets, and which also stimulated the United States to look for countries whence raw materials and foodstuffs might be obtained. Since America is the greatest consumer of rubber, it is quite natural that by far the larger part of the Netherlands East Indian rubber production has found an outlet in that country, and will do so in the future as well.

It is, of course, very questionable whether the rubber trade would have gone by way of the Netherlands if the years of war had not coincided with the period of the increase of Netherlands East Indian production. Most probably this commodity would have been exported in any event directly to the land of consumption; but this does not apply, at least in equal measure, to the other products in which the Amsterdam and Rotterdam markets once dealt. If the diversion means a disadvantage to Netherlands merchants, it is doubtless an advantage to the plantation companies in which many of them are interested, for it means more independence from the European markets; and a greater variety of outlets implies in-

creased security against economic disturbance. The direct trade with the consuming countries other than the Netherlands has, furthermore, resulted in a larger number of exporting houses and a wider sphere of activity for them, thus benefiting the entire commercial situation of the Netherlands East Indies and all connected therewith. Batavia, for example, has gained much in importance as a tea and rubber market, and local trade, both real and speculative, has increased considerably.

Although the Netherlands has not succeeded in becoming the chief market for the new produce, rubber, she has held her own in respect of such commodities as her merchants used to distribute in Europe.

Exports of certain commodities to the Netherlands from the Netherlands East Indies in 1913 and 1923 were as follows:

	1913		*1923*	
	Tons	*Value (in thousands of guilders)*	*Tons*	*Value (in thousands of guilders)*
Copra	74,000	17,000	126,000	33,500
Tobacco*	85,000	87,000	52,000	84,000
Hides†	5,000	7,000	3,000	3,000
Kapok†	5,000	3,000	1,900	2,400
Cinchona bark	7,800	4,000	5,000	5,000
Quinine	37	750	123	5,500
Coffee‡	12,000	9,500	7,700	6,000
Tea§	12,000	10,000	14,500	23,000
Rice‖	44,000	6,000	20,000	3,000
Sugar	....	....	9,600	2,600
Pepper†	5,000	2,000	2,000	750
Rubber	3,000	6,500	6,600	8,600
Tapioca products†	9,500	700	6,000	1,500

* The decrease in quantity was not a result of a change in trade, but of reduced output. Nearly the whole crop of 1922-1923 was sold in the Netherlands.

† Loss mainly to the United States.

‡ Loss to the United States, and also because of direct shipment to Spain and Scandinavia.

§ The increase commensurate with the increased output is too small owing to direct shipments to America (see above) and to Australia (12,000 tons in 1923 as against 2,000 in 1913).

‖ The decrease is due to diminished export from the Netherlands East Indies.

The total value of exports to the Netherlands in 1913 was 173 million guilders; in 1923, 203 million.

Inasmuch as various European countries have manifested an increasing interest since 1923, both in the investment of capital in the Netherlands East Indies, and in trade with that archipelago, it is probable that direct exportation to France, Germany, Spain, etc., will gain in future at the expense of shipments to the Netherlands, although the latter country will doubtless remain the chief market for tobacco, copra, etc.

While the displacement of the export trade chiefly concerns the United States, the diversion of imports in consequence of the War is very significant, not only for the Netherlands, but for the whole of Europe, as may be seen from the following table which gives the percentage by countries in the private import trade of the Netherlands East Indies during the years 1913 and 1923.

	1913	*1923*	*The war year 1918*
		(in guilders)	
Total value of goods imported by private concerns	438,000,000	620,000,000	530,000,000
	Percentages by countries of the above		
The Netherlands	33	21	2
Great Britain	18	15	15
Germany	6½	8	..
Remaining countries in Europe	3½	5½	1
United States	2	6	12
Australia	2½	4	4
Japan	1½	8	20
Singapore	16	16	26
Remaining countries of eastern Asia (mainly rice and other foodstuffs, also gunny sacks from British India)	17	16½	20

With regard to the year 1918 only one remark is necessary. Since navigation to and from the Netherlands almost completely stopped, and since she felt a shortage of many raw materials, her shipments to her colonies were bound to cease. Great Britain, on the contrary, was able to continue exporting her share, and even more than her share, when we consider that the high figure for Singapore was due to the transit trade in goods which arrived there from Great Britain

and Japan, and also by way of Japan from America. It is more important to inquire how far the various countries have succeeded in regaining their lost positions and in holding their newly gained outlets. The gaining countries are Japan, the United States, Australia, and the "remaining countries in Europe" (according to the above table). The losers are Great Britain and the Netherlands, the latter being the most gravely affected with a diminution of no less than 12 per cent.

According to the official returns of commerce and of import and export duties, the value of imports of textiles, including clothing, articles of fashion, etc., into the Netherlands East Indies in 1913 and 1923 were as follows:

	1913	*1923*
	(in millions of guilders)	
The Netherlands	45	54
Great Britain	43	46
Remaining countries of Europe	9	16
Japan	2	26
Eastern Asia	15	27
Total	114	169

Apparently, therefore, there was an advance for all countries. If, however, we take into account the rise of prices of textiles from 1913 to 1923, we arrive at an entirely different conclusion.

According to the Statistical Bureau at Buitenzorg, the index-numbers for the wholesale trade in textiles were over 200 in 1923 (100 in 1913). Data received from Twenthe (the Netherlands' chief manufacturing center for textiles) show that at the end of 1922 and the beginning of 1923 the prices of cotton goods were still twice as high as in 1913; from information supplied by the Central Statistical Bureau at The Hague it is seen that prices of bleached shirtings were about 2¼ times as high in 1923 as in 1913, and, finally, it appears from *The Economist* that in Great Britain the prices of textiles in 1923 were over 2.1 times those of July, 1914 (index-number for the latter date, 616; average for 1923, 1,300). We shall certainly not be below the mark if for our purpose we assume that in 1923 the money value of textile goods was twice as great as before the War.

Taking this into account, we arrive at the following result for 1923 for the same imports, calculated on the values of 1913:

	(in millions of guilders)
The Netherlands	27
Great Britain	23
Remaining countries of Europe	8
Japan	13
Eastern Asia	14
Total	85

The real decline, as compared with 1913 and with the prices prevailing in that year, therefore, was 29 million guilders, or about 25 per cent, and it is further seen that Japan was the only country who had increased her exports of textiles to the Netherlands East Indies, the actual ratio of advance being 550 per cent.

The value of imports of articles of food, including rice, soya beans, flour, etc., was 94 million guilders in 1913 and 104 million in 1923. Here also, however, we find that rice was calculated at the rate of 0.11 guilder per kilogram in 1913, and at 0.15 guilder per kilogram in 1923, flour at 0.12 and 0.20 guilder, respectively, etc., so that the index-number for 1923 may be taken as 140. It is necessary, therefore, to record a decline in the importation of foodstuffs to the amount of 19 million guilders, or 20 per cent, which is partly confirmed by the returns of the quantities of imported rice, which in 1923 amounted to more than 400,000 tons, to the value of 50 million guilders, as against 500,000 tons in 1913 of about the same value.

Diversion of trade in foodstuffs took place only to a small extent, since the most important articles of import, such as rice and soya beans, can of course be supplied solely by the producing countries in eastern Asia, and flour cannot be purchased more cheaply anywhere than in Australia. It was possible for the latter to record a gain of 200 per cent (from 2 to 6 million) only for biscuits, preserves, and fruit, while the United States was able to send even larger quantities of these articles to the Indies, rising from 200,000 guilders to 1.5 million guilders. From all other countries (the Netherlands 7 million guilders, Great Britain 2 million guilders, etc.), imports declined in proportion.

The figures for machinery and implements were:

	1913	*1923*
	(*in millions of guilders*)	
The Netherlands	20	14
Great Britain	4.5	3
Germany	5.5	7
United States	..	1.5
Other countries	2	2.5
Total	32.	28.

The index-number for 1923 was 150, according to the data of engineering works in the Netherlands, so that the same imports, reduced to the 1913 value, would have amounted to:

	(*in millions of guilders*)
The Netherlands	9+
Great Britain	2+
Germany	5—
United States	1—
Other countries	1.5+

From these figures it is seen that Germany has more than recovered her former outlet, since the whole import of machines and implements has declined by over 40 per cent, whereas the Netherlands' share has fallen from 60 to 50 per cent. Germany, however, profited in 1923 from the collapse of her exchange.

These statistics very conclusively show the influence of the years of depression on the establishment of new enterprises and on the improvement of existing works. The figures for 1924 and 1925 promise to be considerably better, and this applies to imports generally, since the purchasing capacity of the natives was somewhat greater in 1924.

There was a similar strong decline for iron, steel, etc., as is clear from the following comparison:

	1913	*1923*
	(in millions of guilders)	
The Netherlands	19	8
Great Britain	7	4
Germany	4.5	8
United States	1.5	2
Remaining countries of Europe and various other countries	3	5
Total	35	27

Since, for these articles also we have calculated an index-number of at least 150 for 1923 (others have even assumed 180), the same conclusions apply to iron and steel as to machinery and implements, except that the increase of German and North American imports has become even greater in this instance.

For automobiles, bicycles, tires, and parts the statistics were as follows:

	1913	*1923*
	(in millions of guilders)	
The Netherlands	4	1.5
Remaining countries of Europe	3	3.5
United States	1	7
Total	8	12

In 1913 the average cost of an automobile was considered to be 3,800 guilders and that of a bicycle 53 guilders. In 1923 prices were respectively 5,000 guilders and 61.20 guilders, so that for this group we should assume an index-number of 125, which brings the total advance to 1.5 million guilders.

The American automobile has evidently gained over the European product. Motor trucks, however, still come mostly from Europe (France and Germany) and the Netherlands here lost part of her intermediary trade.

We also find a large advance for the United States in the case of artificial fertilizers (mainly sulphuric ammonia).

	1913	*1923*
	(in millions of guilders)	
The Netherlands	4	3
Great Britain	6	8
Remaining countries of Europe and various other countries	1	1
United States	..	4
Total	11	16

The price of sulphuric ammonia in 1913 was 12.80 guilders, and in 1923, 14.20 guilders. The index-number of the group is, therefore, about 110. It is remarkable that in 1920 Japan still imported fertilizers to the value of 9 million, but bought none in 1923, since the product had proved to be of an inferior quality.

The consumption of beer has likewise increased, its value being:

	1913	*1923*
	(in millions of guilders)	
The Netherlands	1	1.3
Great Britain	..	6
Germany	1	0.2
Other countries	0.5	0.5
Total	2.5	8

In 1913 beer was worth 0.40 guilder per liter, and 0.76 in 1923, so that the index-number was 190, the actual advance being about 2 million guilders. The decline of the German output during the War also influenced the situation, but in 1924-1925 Germany began to export better qualities, with the result that the demand for it is increasing in the Netherlands East Indies.

With regard to glass and earthenware Japan again retained her advance, as is shown by the following table:

	1913	*1923*
	(in millions of guilders)	
The Netherlands	4	2
Germany	2	1.5
Remaining countries of Europe	1	.5
Japan	..	4.5
Eastern Asia	1	2.5
Total	8	11

Glassware was more than twice as expensive in 1923 as in 1913, and earthenware nearly 1½ times, so that for this group we must assume an index-number of at least 160, which means that the total imports have declined in fact by one million guilders. Japan has won, therefore, a still more commanding position in the Netherlands East Indian market with her cheap earthenware and glassware, mainly at the expense of the German industry, which formerly exported large quantities of earthenware (dinner services, toilet sets, etc.), to the Indies by way of the Netherlands.

We have discussed certain important groups of imported goods because it was precisely in these categories that great changes took place. It would carry us too far afield to discuss all articles in this way. If we take into account the difference in price, imports of most commodities have declined, as in the case of small wares, watches, lamps, etc., shipments of which represented a value of about 10 million guilders in 1913 as compared with approximately 12 million in 1923 (index-number around 200); of paper, of which the value of imports was about 5 million guilders both in 1913 and in 1923; and of paints, etc., to which the same figures apply, though their cost has risen notably since 1913. The only article which merits special mention is cigarettes. Both on account of the rising price of cigars and owing to the increasing habit of cigarette smoking among the natives, imports of cigarettes have advanced greatly since 1913, especially of those manufactured in the Federated Malay States. Shipments from Singapore, for example, amounted in 1913 to only 152 tons, valued at 609,000 guilders; but in 1923 they rose to 2,162 tons with a value of nearly 12 million guilders, their price being 5.40 guilders per kilo in 1923 as against 4 guilders in 1913 (index-number, therefore, about 135). In this instance, therefore, a considerable gain of imports must be recorded. Shipments of cigars from the Netherlands, on the other hand, declined from 350 to 130 tons, and of manufactured tobacco from 2,000 to 1,000 tons.

Finally, with regard to the advance of the "remaining countries of Europe" (referred to in this way in the tables we have used) in exports to the Netherlands East Indies, we must take into account the impossibility for Netherlands firms to ship goods to the Indies during the War. Consequently their old connection with foreign manufacturers slackened, and the latter were forced by the general European depression to find an outlet for their goods in the Nether-

lands East Indies. This area aroused, moreover, an enhanced interest in commercial circles abroad during the years of the conflict; and all this led foreign firms either to establish branches in the Indies or to make arrangements for their import or export trade with Netherlands East Indian firms. Although this led to disappointment in many cases, the general result was that the Netherlands lost a part of her transit trade, so that exports and imports which formerly appeared as coming from or going to the Netherlands now pass directly from the country of origin to that of consumption. Doubtless the trend of commerce would have been along these lines even had there been no war; but the fact remains that the conflict fostered and accelerated this natural development.

The figures which we have cited have shown the reader that the War has compelled European industry to fear a permanent and a keen competition from the United States, Japan, and Australia in textiles, foodstuffs, automobiles, fertilizers, and earthenware, while a number of other commodities which were formerly monopolized by Europe are now imported from those three countries as well.

For the Netherlands East Indies this is certainly not unprofitable. Keen competition is apt to lower prices, and the new commercial ties will sooner or later undoubtedly arouse interest in Indian enterprise, thus promoting the desired influx of capital from abroad. At the same time the statistics lead to a very melancholy conclusion. When we enumerated the principal articles, we mentioned the index-numbers for 1923, putting those for 1913 at 100. If, now, from the known data, we calculate a total index-number for all imported articles, we find this to be at least 175, so that the entire value of imports of 1923, reduced to the prices of 1913, would amount only to $\frac{175}{100} \times 620{,}000{,}000$ guilders, *i.e.*, 354 million guilders. As a matter of fact, therefore, imports have declined by 84 million guilders, or more than 19 per cent.

The Statistical Bureau at Buitenzorg has calculated the index-numbers for thirty-five of the principal import articles and has arrived at 221 for 1923.[5]

We have, however, deemed it better to take a figure not over 175 for all import articles, since such goods are as a rule entered at the customs at invoice value, which is below the market price taken for

[5] A later calculation gives an average index-number of 187 for fifty-one articles of import, and of 138 for fifteen articles of export.

calculating the index-number. As perfect accuracy is impossible, we have preferred to choose a minimum figure so as to preclude all suspicion of exaggeration.

For many European countries reduced imports often mean increased activity of home industry and are, generally speaking, considered to denote an improvement of the trade-balance and to afford a proof of economic advance; but for the Netherlands East Indies such a phenomenon is a symptom of impoverishment. As we have already pointed out, a native Indian industry is out of the question, unless it be agriculture; and this means that almost all articles for daily use must be imported. We have also established that the reduction of imports is not a consequence of the restricted use of luxuries, for the decrease applies to machinery, minerals, and the prime necessities of life. What conclusion, then, can we reach other than that the purchasing capacity of the native population has been gravely reduced since 1913? The augmented imports of beer, automobiles, and other articles point only to the prosperity of the European residents in the Netherlands East Indies, who have gained in number from about 100,000 in 1913 to 180,000 in 1923, and to the increase by over 150,000 of foreign orientals, many of whom live in European style. More than 90 per cent of the textiles, on the contrary, must be sold to the natives and if in such sales we are obliged to record a reduction of over 25 per cent, this can mean only that during 1923 the people have been compelled seriously to restrict their use of sarongs, jackets, etc., and this in view of an extremely modest demand in 1913.

The real reduction in value of the total imports of over 19 per cent between 1913 and 1923 is the more remarkable when we compare this period with the ten years which preceded the War. During that time private imports into the whole of the Netherlands East Indies amounted to:

1903	*1904*	*1905*	*1906*	*1907*	*1908*	*1909*	*1910*	*1911*	*1912*	*1913*
				(*in millions of guilders*)						
177	197	206	224	232	264	269	332	386	409	461

Although imports were extraordinarily low in 1903, in order to avoid misrepresentation we shall set their value for that year at 191 million guilders so that we find a difference as compared with 1913 of 270 million guilders or about 140 per cent. This advance, indeed,

pointed to a brisk development of the Netherlands East Indies, but such growth was not surprising if we consider that, according to official statistics, the entire population of the area increased from 38 million in 1905 to 47.15 million in 1917, or more than 7.6 million in a decade, and that at the same time the exploitation of the Outer Possessions by foreign capital was energetically pushed. If for the period between 1913 and 1923 we presuppose a very moderate rate of development, and if we assume only a normal increase of 50 per cent in imports in ten years (rather more than 4 per cent annually), the total imports of the Netherlands East Indies, under normal circumstances, could have been about 690 million guilders in 1923, at the prices of 1913, or at the values for 1923 $\frac{175}{100} \times 690{,}000{,}000$, *i.e.*, 1,200 million guilders. As a matter of fact, however, the total importation by private concerns was only 626 million guilders in 1923, so that there was an actual reduction by 574 million guilders.

If, therefore, the events of 1913 to 1923 had not interfered with the sound economic development of the Netherlands East Indies, the imports for their inhabitants might have been worth 574 million guilders more. During this period the population has further increased by nearly 6 million. We may assume that at least 300 million guilders of the decrease may be taken to represent reduced imports for the natives, the remaining 274 million guilders being chargeable to stagnation in the establishment and renovation of large enterprises. We must, however, take into account the fact that native agriculture enjoyed large crops in 1922-1923, so that the reduced imports of foodstuffs have not been caused entirely by the diminished purchasing capacity of the people. If we estimate the value of the increased native production at about 50 million guilders, the figure of 250 million guilders gives a fairly correct impression of the economic stagnation of the natives, an impression which is confirmed by the decreased imports of textiles recorded on a previous page. It must also be taken into account that during the years of false prosperity, 1919 and 1920, the natives spent more money on luxuries and pleasure. In those years new necessities arose which in later years could only be satisfied by economizing on other necessities (imports). An augmentation of 6 million in the population should have resulted in an increase of those imports by 15 million guilders (1913 value), so that these shipments in 1923 should have amounted to about 129 million guilders at the prices of 1913, or to

about 258 million guilders at those of 1923. In the latter year, however, the value of imported textiles, etc., was only 169 million guilders, so that for these goods alone we must record a decline of approximately 90 million guilders.

With regard to imports for the foreign population and their enterprises a brisk revival was observed,[6] so that this decline will soon be made good, as will be shown by the larger imports of machines, iron, steel, fertilizers, implements, etc., which in 1923 were still far below the averages which we indicated for these goods in our general review. The decrease for the natives, however, will not be made up so soon, for its causes lie more deeply, and depend only to a comparatively minor degree on the influx of foreign capital. New enterprises and the expansion of those already in existence will indeed give work to thousands of natives, but this does not benefit the millions of independent small cultivators.

The theory is only too easily accepted that the native prospers when the large plantations are doing well; but it is forgotten that only 300,000 coolies are employed on all the estates in the Outer Possessions. As to the sugar industry in Java, it brings prosperity —quite apart from its very favorable influence upon trade, traffic, and industry—to the natives living in its vicinity, especially in thickly populated regions where the inhabitants either do not possess sufficient arable land, or where it yields too little. Yet in this case also one should not lose sight of the fact that only a modest percentage of the natives are directly concerned in the sugar industry. According to returns which the Union of Proprietors of Indian Sugar Plantations has kindly placed at our disposal, nearly 51,000 native laborers are regularly employed by all the sugar estates combined. To these are added the seasonal laborers, *i.e.*, those who are engaged during the milling period, and the field laborers temporarily hired to plant and cut the cane.

The total number of laborers may be assumed to be approximately 650,000 per annum, so that we may estimate at about a million those employed by the European plantations in the whole of the Netherlands East Indies. This figure includes a large number of

[6] According to a provisional estimate, imports in 1924 amounted to 714 million guilders (654 million in 1923), and exports to 1,557 million (1,378 million in 1923). The index-number of the imported articles will be about the same; that of exported articles, about 10 per cent higher.

women; but since a great proportion of the coolies in the Outer Possessions are not married, the entire number of natives partly or wholly dependent on plantations financed by foreign capital can scarcely exceed 5 million, or about 10 per cent of the total native population. Yet even if that percentage were higher, prosperity of the plantations does not necessarily mean corresponding welfare of the people. Thus, for example, the wages for coolies on the sugar plantations in 1923 and 1924, which were so profitable to the industry, were about 140 per cent of those of 1913, whereas, as we have seen, the prices of the goods which the native workman needs for himself and his family were 175 per cent more than in 1913.

This, indeed, is the meaning of the 250 million guilders which we have figured out above. The native's income in money has not decreased as compared with 1913 but it has not increased in proportion to the rise of the prices of goods. According to income tax records of the native population on the island of Java alone that income amounted in 1913 to 542 million guilders and in 1923, measured by the index-figures, to 504 million guilders. Instead of an increase of income, this shows a decrease of nearly 50 million guilders, while on the other hand the taxes increased considerably.[7] This applies not only to the laborer employed on the European plantations. The workmen in native trades remained, as a rule, still farther behind, and, to make matters worse, the income of the independent native cultivator also failed to rise at the ratio of his trade expenses and cost of living. He had fairly good years in 1919 and 1920, but when the prices of his secondary crop declined, the yield of the soil proved wholly or partially inadequate to maintain his family. It is true that fresh land had been put under the plough, but its quality left much to be desired, so that the average yield per bahu fell, and he was worse off economically in 1923 than in 1913.

This economic stagnation and decline cannot be regarded merely as a direct consequence of the War. Even before the outbreak of hostilities, the rapid increase of the population was a matter of concern to the Colonial Government, and there was a tendency to foster the industrialization of the Netherlands East Indies, since no more land was available for the extension of native agriculture in the most densely populated islands. An advisory commission was appointed,

[7] Report of Messrs. Meyer, Ranneft, and Huender.

government support was promised to new enterprises, and in some cases was given, but this way of increasing the means of subsistence takes much time, and industrialization cannot be forced. Furthermore, efforts have been made, and are still being made, to promote the migration of natives, and large tracts of land have been made available in sparsely populated regions; but the Javanese does not like to emigrate, so that this movement also is slow. Finally, the attempt has been made to increase the productivity of the soil; agricultural advisers and instructors have been appointed, model fields have been laid out, and the care of live stock has been improved. Education, emigration, irrigation, and industrialization were the means indicated for ameliorating the economic condition of the natives. The Government understood this, and it has worked earnestly in that direction.

In the meantime, however, the supply of food demanded its attention, and many other important problems had to be solved. The decline followed the years of apparent prosperity, years during which state expenditure had risen to an unprecedented level. Retrenchment became the watchword, and it proved necessary to suspend the task, barely begun, of raising the great bulk of the population from their economic backwardness. All attention had to be devoted to the balancing of the budget. Irrigation works, the extension of harbors, state railways, and other public works were stopped; measures of retrenchment were applied to public instruction and to the agricultural advisory service; the ground rent, heavy before, was increased; and the import duties were almost doubled, thus adding still further to the cost of imported goods which were already dear.

The complaints of impoverishment, confirmed by importing houses which found their turnover declining, were justified by other symptoms as well, such as the prosperity of the pawnshops, the diminution of passenger traffic, and the considerable decrease in the consumption of luxuries. They were, accordingly, brought to the notice of the Government, which is now making investigations as to the prosperity of the native population. It is a question, however, whether the Government will be able to obtain the financial means for carrying out a strong welfare policy; and it is also possible that reactionary influences will restrain it from applying those means

to the end in view, the intellectual and economic advancement of the natives.

The necessity of increasing production brought the producers to the front, and the weal of the nation is often identified with their welfare. The influence of the owners of enterprises in the Netherlands East Indies has gained power in recent years; and regard for valuable property causes interested parties to promote a policy which not only aims at low taxation and cheap labor, but which is also opposed to granting more independence to the Netherlands East Indies, as well as to the extension of native influence in government affairs. But just as the sense of justice inborn in the people of the Netherlands opposed colonial exploitation on behalf of the mother country, so we may trust that the administration of the Netherlands East Indies will be carried out without selfish influences, and will be directed solely to the interests of those regions and of their inhabitants.

We may end the present chapter with a table of the value of private imports and exports, exclusive of coined gold and silver, from 1913 to 1923, in order to give an impression of the fluctuations of trade during those years. Index-numbers have not been put in, though we may mention here those which have been published by the Department of Agriculture, Industry, and Commerce, and which have been calculated on thirty-five important articles of import and on fifteen of export. The numbers for 1921-1923 were based on more than fifty-one articles of import and are, therefore, more exact.

Year	*Index-number for Imports*	*Index-number for Exports*
1914	102	93
1915	114	97
1916	147	110
1917	196	115
1918	261	127
1919	291	188
1920	334	216
1921	199	130
1922	186	124
1923	187	138

EXPORTS (NOT INCLUDING BULLION) FROM THE NETHERLANDS EAST INDIES SPECIFIED ACCORDING TO COUNTRIES OF DESTINATION

	1913	*1914*	*1915*	*1916*	*1917*	*1918*	*1919*	*1920*	*1921*	*1922*	*1923*
					(in millions of guilders)						
The Netherlands	173	149	195	157	20	3	351	354	214	181	203
Great Britain	24	106	93	168	85	38	235	143	52	60	115
Germany	14	6	..	..	..	..	10	8	14	17	21
France	27	20	24	22	8	8	63	21	17	37	60
Belgium	3	2	..	..	..	..	20	16	1	2	5
Italy	3	3	3	3	..	1	12	27	18	6	6
Switzerland	..	..	..	..	..	..	3	..	..	..	..
Spain and Portugal	..	..	..	..	..	2	6	4	1	2	2
Sweden, Norway, Denmark	1	..	..	6	7	6	93	57	10	8	11
Rest of Europe	22	22	8	14	12	9	13	12	8	6	7
Canada	1	..	..	1	3	7	7	4	1	3	10
United States	13	16	40	98	200	111	191	298	70	96	135
Egypt	6	18	26	22	25	18	109	272	38	31	55
British India	89	67	93	84	68	61	190	217	184	77	151
Penang	19	18	13	15	19	13	23	19	14	14	19
Malacca	2	5	4	5	7	7	10	10	7	8	3
Singapore	110	106	119	126	161	164	321	273	180	220	229
Siam	2	3	4	4	7	3	6	6	4	6	4
Indo-China	1	1	3	2	3	3	4	6	4	6	1
Hongkong	34	24	45	33	37	51	125	136	111	61	87
China	18	18	17	13	23	38	30	31	27	25	13
Dalny	..	..	5	2	2	2	4	..	2	3	4
Japan	36	19	16	18	31	78	180	140	109	115	110
Australia	13	20	28	16	23	28	82	101	30	53	42
South Africa	..	2	3	38	22	12	6	5	5	4	1
Others	3	11	19	7	13	9	47	65	67	95	74
Total	614	636	758	854	776	672	2,141	2,225	1,188	1,136	1,368

IMPORTS (NOT INCLUDING BULLION) INTO THE NETHERLANDS EAST INDIES SPECIFIED ACCORDING TO COUNTRIES OF ORIGIN

	1913	*1914*	*1915*	*1916*	*1917*	*1918*	*1919*	*1920*	*1921*	*1922*	*1923*
					(in millions of guilders)						
The Netherlands	145	124	99	91	48	11	83	263	270	156	129
Great Britain	76	70	80	85	71	78	91	206	144	101	92
Germany	28	22	4	..	..	..	1	37	57	46	49
France	3	3	2	3	3	2	4	5	9	5	5
Belgium	6	4	..	..	..	..	..	6	7	5	6
Italy	4	6	6	5	3	1	1	8	10	10	11
Switzerland	1	1	2	1	1	1	2	4	4	3	7
Spain and Portugal	..	2	2	2	2	2	..	..	..	..	..
Sweden, Norway, Denmark	1	..	2	2	1	1	3	9	5	4	4
Rest of Europe	..	1	..	..	..	..	..	..	..	..	..
Canada	..	..	..	..	..	..	1	4	4	1	1
United States	9	10	15	31	61	62	130	163	109	32	39
Egypt	..	1	..	..	..	..	1	1	1	3	..
British India	23	15	16	27	31	33	16	18	39	27	29
Penang	13	14	13	14	18	22	14	16	18	17	14
Malacca	..	..	..	..	..	..	..	..	1	1	2
Singapore	68	59	66	76	119	134	132	125	134	95	98
Siam	4	3	5	3	4	5	9	1	11	9	10
Indo-China	16	15	19	10	15	10	3	19	58	27	4
Hongkong	7	6	9	8	10	16	20	28	36	23	20
China	..	9	8	6	5	4	5	11	11	7	9
Dalny	..	..	2	1	1	1	1	4	11	13	10
Japan	7	6	13	27	55	114	77	134	86	57	50
Australia	10	10	5	7	12	21	31	36	38	29	24
South Africa	..	..	..	..	..	..	..	..	..	2	..
Others	16	2	4	4	5	11	13	18	14	18	3
Total	437	383	372	403	465	529	638	1,116	1,077	691	616

CHAPTER VII

SOCIAL AND POLITICAL EVENTS DURING AND UNDER THE INFLUENCE OF THE WORLD WAR

THE social and political evolution of a country and its people cannot be divided into rigidly delimited periods, and it is, therefore, impossible to draw lines between various events so as to make them coincide with the history of the War. Nevertheless, one may determine whether ideas which have developed everywhere under the influence of the struggle have exercised an effect in the Netherlands East Indies as well.

We have already been able to note cursorily a phenomenon which should lead to an affirmative answer,—the National Congress in 1918.[1] This in itself showed the strengthening of the nationalistic feeling which became manifest everywhere during the years of war, and which has gained a firm footing in the Netherlands East Indies as elsewhere. We have also learned of closer economic bonds between the Netherlands East Indies and other countries around the Pacific Ocean, which will be linked up to a Round-the-Pacific movement, likewise social in character; and we have read of the loosening of the economic ties between the Netherlands East Indies and Europe, this being connected with the political desire, becoming increasingly manifest in the Netherlands East Indies, and shown in the social sphere as well, to attain a larger measure of independence from the mother country.

The space allotted to us obliges us to be brief in reviewing the most important symptoms here indicated; but we cannot omit discussion of (a) the native movement, (b) political evolution, and (c) defense.

(a) *The Native Movement.*

The *Sarekat Islam*, divided into a very large number of local branches, succeeded in 1915 in uniting them under a general board; and in the following year it held its first National Congress which was attended by representatives of all the groups. It was already

[1] *See* above, p. 69.

estimated to have 360,000 members, and its numbers were growing constantly. Advancing beyond its predecessors, this congress openly enunciated a desire for the formation of a general Indian nation. It is readily explicable that this Indonesian nation left no room for non-natives; nevertheless special emphasis should be laid on the fact that the spirit of the congress was not directed against the Government; on the contrary, the unity of the Netherlands East Indies was preached only in the sense that aspirations to self-government under the supreme authority of the Netherlands were energetically expressed. The sessions were also noteworthy in that a number of social abuses, including many found in the native world, were subjected to a sound criticism.

The two next national congresses, which were much more keenly anti-government, were held in 1917 and 1918. Here it became evident that the *Sarekat Islam* was developing more and more into a social democratic movement, aimed, as we have already seen, against "sinful capitalism." There were also many fulminations against the former government policy as if that policy were still a reality, but this was scarcely just, since the Government has become most decidedly convinced that it must discard all traces of the course of domination as held in the previous century. In this case, however, we must not forget that the economic decline of the native population, which was gradually becoming more and more manifest, may explain their attitude.

The demand for the emancipation of the Netherlands East Indies was preached more energetically than ever; discontent was evidenced because the Law which had meantime (1916) created the *Volksraad* did not give the natives adequate representation on that body; and complaints were uttered about unfairness in elections to local councils, especially the town councils. Nevertheless, these congresses merited appreciation as signs of awakened self-consciousness and of interest in political and social questions, and they gave rise to no disturbances.

The nationalistic sentiment which was thus manifested by the *Sarekat Islam* in the shape of aspirations to rights and claims of all-Indian nationality also became conspicuous in another sense in associations which presently came into existence by the side of the large organization. These groups advocated the nationalistic union of the members of the separate native nations.

The *Budi Oetomo,* as an association of culturally nationalistic Javanese, had in a sense set an example in this respect; and it was followed by the foundation of societies of Sundanese, of Minahasers, Young-Sumatrese, and Amboynese, groups which were in accord with the *Sarekat Islam* as regards political aspirations, but which had the further aim of special unification of all persons of the same nationality in the strict sense of the term. The *Sarekat Islam* endeavored unceasingly to bring the members of these separate organizations into its central union, but it succeeded only when events afforded an occasion for concerted action. The *Budi Oetomo,* generally speaking, continued quietly along the lines once fixed. It sought primarily the promotion of more knowledge and the better education of the real Javanese population; and though for a time it also launched out into politics,[2] it was always moderate.

Special mention should be made of a session of this body on July 30, 1924, at which it developed an emergency program regarding the political and social reforms which it deemed necessary in the Netherlands East Indies, and expressed its own attitude towards them, outlining wishes concerning public instruction, jurisdiction, the suffrage system for the election of the representative bodies, the reorganization of the *desas* (native villages in Java), and public defense. While the *Budi Oetomo* continues to seek to further national consciousness among the Javanese, and at the same time to maintain friendly relations with national groups in other regions of the Netherlands East Indies, its action is certainly not directed against the Netherlands East Indian Government as such. None the less, it emphatically urges the desirability of legislative measures which meet the reasonable desires of the people. There is no reason to think, as was the case for some time even in government circles in the Netherlands East Indies, that it has been won over to more extreme views, at least not at present. For some years its President has been one of the regents of self-governing Solo.

Besides the associations discussed here, however, others gradually came into being, and these showed a more or less revolutionary tendency. As early as 1914 the *Sarekat Abang* (Red Association) was founded as a branch of the *Sarekat Islam* in the northern part of Sumatra. This was decidedly revolutionary and played a part in the Jambi uprising of 1916 which had to be quelled by troops. Tempo-

[2] *See* above, p. 112.

rarily and locally the foundation of similar groups could be observed during the ensuing years in various parts of the Netherlands East Indies, such as a *Sarekat Hejo*, established in 1924 in the Semarang district in Java and giving rise to disturbances. It is unnecessary to discuss these associations exhaustively, for not one of them became at all general, and energetic local action always rapidly quelled the outbreaks mentioned above.

The gradual penetration of communism into the Netherlands East Indies is of some importance. In the true sense of the word this movement is here an exotic which, superficially regarded, ought to find fertile ground if one considers only the democratic tendencies entertained in the colony. On the other hand, it has not as yet found that soil nor will it find it of any depth, because the purely materialistic tendencies of communism are diametrically opposed to the principal religion professed in the Netherlands East Indies, *i.e.*, to Mohammedanism.

Nevertheless, under foreign influence, especially Russian and Chinese, communist ideas were able to gain a temporary foothold. Bolshevist groups, which gradually obtained an oriental headquarters at Shanghai, did not fail to make propaganda in the Netherlands East Indies, and they found a few people, some Europeans and some natives, who were ready to carry on agitation in the country itself. This led to the foundation of the P.K.I. (*Partij Kommunist India*), which, however, has exercised no political influence.

Another symptom of awakening among the natives is to be seen in the trade unions, which were introduced about 1918 and which have since received recruits from both private and government employees. They are all copies of the European model, as is likewise true, to a certain extent, of each of the associations named above. These trade unions developed into a central union which at first threatened to come under communist influence, although it gradually succeeded in extricating itself. As a consequence, the communists split off in 1920 and founded a revolutionary central union of their own; but little has been heard of it since.[3]

[3] The above text was written in 1925. Since then the communist movement has grown considerably. In November, 1925, an extended communist revolt broke out in the western part of the island of Java, first in the capital, Batavia, followed by a similar revolt on the west coast of Sumatra. Apparently

During the last few years there has been much deliquescence in the corporate life of the native movement. For some years considerable activity was manifested by the N.I.P. (National Indian Party), which was founded by Eurasians and endeavored to include Indians of all races. It has now disappeared.

Both then and later communism tried to obtain a firm footing in the *Sarekat Islam*, which continued to organize annual national congresses. This led primarily to a secession of the conservative elements (the *White Sarekat Islam*), and ultimately to the expulsion of the communists from the large union. The *Sarekat Islam* itself was then reorganized, since in 1924 a greater measure of autonomy was

these revolts were directed not in the first place against the Europeans but against the native officials, some of whom were murdered by the revolutionists who also menaced the peaceful native population. Strong military measures were needed to suppress this movement. The leaders of the revolutionists, if not immediately shot on the spot, were captured. Several of them were tried by the courts, and seven hundred communists were exiled to the upper Digoel (island of New Guinea) because they were found guilty of helping the bandits. At the trial before the courts it was proved that the revolts were influenced from Moscow by the Bolsheviks and their subordinates in China, while some notorious Javanese anarchists, expelled in former years and now dwelling in other countries, for instance the Straits Settlements, had acted as intermediaries. Financed by money received from these sources the revolutionists had been enabled, first, to purchase weapons, which were imported in various clandestine ways from Europe and Asia, secondly, to bribe many thousands of native people, many of whom were influenced to join the revolution by promises of freedom from taxes, of future honors, etc. Fortunately it was proved also that the greater portion of the people were decidedly not in sympathy with the revolt and that those who had been bribed to join the revolutionists regretted the course of the revolt. In a few days they voluntarily gave themselves up to the authorities.

Although these movements are generally designated as "communist" and certainly were promoted by communist (Bolshevist) leaders, the chief feature therein seems to be purely anarchistic.

Nevertheless the Government considered it necessary to inquire whether perhaps the revolt had been influenced, if only in part, by bad social or economic conditions. A committee appointed by the Government is now at work investigating the real causes of possible discontent among the Malay natives of Sumatra where it was proved that the revolt had been planned a long time in advance and where the bands of revolutionists had been carefully organized. Up to this time nothing has been published regarding the results of this inquiry.—April, 1927.

granted to the local branches, and the center tended to evolve into a definite political party.

It is a remarkable fact that, generally speaking, the unions operating on the narrower nationalistic conceptions are quietly permanent, if not always very active, whereas a strong association, embracing all natives of whatever race, cannot yet boast of lasting existence. It has already become patent that the *Sarekat Islam* has failed in this respect; and the P.K.I. (*Partij Kommunist India*) is too little in touch with real native thought to be general in character except for the time being.

Many native races are strongly differentiated from others, both socially and politically. Even the Sumatranese Congress, held at Padang in 1922, and aspiring to unite all the national associations in the island of Sumatra (Minangkabau, Batak, Bengkulen, Achin), was a failure in this respect. A Pan-Islamic Congress which is to meet towards the end of the present year (1925) at Bandong will, so far as known, concern itself only with problems affecting Islam, and will not be important socially or politically for the Netherlands East Indies.

Nevertheless, one must not forget that in each of the groups which we have discussed or merely indicated, there is one political aspiration which is common to them all and which, if certain circumstances afford an occasion for it, will lead to concerted and closely allied action: autonomy for the Netherlands East Indies and the granting of paramount influence to the natives. The cry of "Separation from the Netherlands" has occasionally been heard, and is still heard from many, especially the younger generation, including some natives who are studying at the various universities in the Netherlands and who have founded an Indonesian Association. The moderates among them, fortunately, think differently, but the fact cannot be denied that the ideal of a native Indonesia is cherished by large numbers, and that in depicting it the faults of the existing régime, and especially those of the earlier colonial period, are often drawn in dark colors.

It would be foolish to deny the significance of these desires, but one must also remember that intelligent thinkers among the Young-Indonese expect their aspirations to be realized only after a long lapse of time. As symptoms of a growing and vigorous self-consciousness, often not altogether free from self-conceit, these ambi-

tions are certainly interesting and always merit the attention of the authorities.

For many years to come the Netherlands East Indies will need a system of government under which all nations working and striving there must coöperate to serve common interests. The Government, and especially the legislator, can promote this end by constantly furthering the rights which are due to each nation, by always recognizing talents where they are found, by accepting their coöperation, and by clearly showing that every idea of the former "colonial" period has disappeared. They should, therefore, grant a voice in public affairs to all those who may justly claim it. Nor is it the Government alone that should work in this sense; it is a great task which rests also upon the shoulders of the inhabitants of the Netherlands East Indies themselves. To show more and more, as is already being done in constantly increasing measure, that the various groups of the people are regarded as being on an equal footing, to do away with everything that looks like social distinction,—such is the task of all, and this will surely contribute to the preservation of a social and political unity of the Netherlands East Indies.

(b) *Political Evolution.*

Certain reforms, notably unification of the income tax, eligibility of all subjects to office, equal rights for every group of the population in other respects as well, legislation regarding decentralization, and the creation of the *Volksraad*, came into effect only after 1914, but were in nowise influenced by the events of the War. They resulted from convictions which had undergone alterations since the end of the preceding and the beginning of the present century, and were the consistent execution of such changed conceptions.

Nevertheless, the War has undoubtedly caused some modifications, and we have already noted[4] that it has led to the loosening of the ties which formerly bound the Netherlands East Indies to Europe. Commercial traffic with European countries, long interrupted, has not regained its previous magnitude; but, on the other hand, the colony has formed mercantile connections with other countries round the Pacific Ocean.

Analogous phenomena may be observed elsewhere as well as in the commercial and economic domains. Science also has learned that the

[4] *See* above, p. 65.

countries round the Pacific may come into closer touch. A general congress of tropical engineering was held at Batavia in 1920; and there have been similar sessions for medicine and ethnography. Experts from various countries round the Pacific have visited other lands similarly situated to study conditions there, among others in respect of public education. A general congress of jurists, planned by Japan, has not yet taken place, but will probably be held ere long.

Without going into the subject in unnecessary detail, we may record the fact that the conviction is gaining ground everywhere in these countries, including the Netherlands East Indies, that tropical regions have particular problems and particular interests different from those in western lands. Combined with this is the growing feeling that the opinions and points of view of the East regarding its own questions have a right to exist side by side with western conceptions, and that it not only deserves appreciation, attention, and furtherance, but will obtain them by its own strength.

During the opening period of the War the Netherlands East Indies were obliged to become accustomed to go their own way commercially and economically, and they succeeded marvelously. Politically also the feeling gradually gained ground that the Netherlands' continued guardianship of authority in Europe was, in the long run, no longer compatible with the requirements and aspirations of the colony and its inhabitants, and that modern conditions demanded a larger measure of independence than had been enjoyed hitherto.

Even before this, as we have seen, voices had been heard insisting on more freedom politically for the Netherlands East Indies, though as yet these were raised only in native circles, as when, at the first National Congress of 1916, the leader, Tjokro Aminoto, openly expressed this desire. Gradually, however, a similar aspiration became stronger and stronger in all strata of Indian society. Prevailing circumstances, of course, contributed to this, and, in particular, the difficulty of continually consulting the authorities at The Hague, the necessity of independent action in very important matters, and the knowledge that such a course was possible.

On opening the *Volksraad* in 1918, the Governor-General, Dr. J. P. Count van Limburg Stirum, gave utterance to what was already the general opinion in the Netherlands East Indies when he

said: "The road has been taken, never to be abandoned, toward the goal of responsible government in the Netherlands East Indies themselves, which, in concert with the *Volksraad*, shall have the right to take final decisions in all matters which are not of general Imperial [or, rather, State] concern. In proper time and degree, so far as is compatible with due appreciation of the consequences of each new step, we must proceed directly toward this end."

It soon became evident that the creation of the *Volksraad*, however well meant in the Netherlands, satisfied the wishes of the people only in part. In 1918 Minister M. Colijn (chief of the Cabinet which assumed office in 1925) published an article in which he declared that the institution of the *Volksraad* would intensify the wish for a complete Parliament. This desire has indeed been expressed; and although it is realized that the Indies are not yet ripe for a complete parliamentary system, it is strongly felt that an advisory representative body will not be sufficient, and that the development of the country demands that such a group shall have real joint powers. It soon became apparent that there were sound reasons for that opinion. The activities of the *Volksraad* showed that even during the period of autocratic rule the Indonesians had trained themselves in knowledge of affairs, that they had formed their own judgment on all important problems, and that there were men of talent who were able to make their opinions known in the proper place.

The second session of the *Volksraad* in the autumn of 1918 gave further form and substance to this point of view. The way in which the *Volksraad* discharged its task, especially in discussing the budget, showed an awakened political intelligence in the different groups of the people. The discussions gave evidence of expert knowledge, and many needs were thus made known. The *Volksraad* was, as was repeatedly declared, "a revelation" both to the Government and to the country.

The associations which had gradually become grouped into political parties with tendencies towards the Left (the Indian Social Democratic Union, the *Sarekat Islam*, the Insulinde, which was later merged in the National Indian Party, and the *Budi Oetomo*) were united in the so-called Radical Concentration, and made a very far-reaching demand for convocation of a provisional parliament to frame a new constitution on a parliamentary basis. The Liberal Union also formulated certain desiderata. In the meantime, the Gov-

ernment decided to appoint a commission to inquire into the desirability of amending the Constitution of the Netherlands East Indies. This large body, known as the Commission of Revision and including representatives of all races and of the main political tendencies, was instituted by a decree of December 17, 1918. In June, 1920, it issued its exhaustive report, to which it appended a draft for a new Governing Law which was to be the foundation of the frame of Government, and also a project regarding consequent changes to be made in the Constitution of the Kingdom of the Netherlands.

The main principles upon which these proposals rested were, so far as relevant at present, as follows:

(a) recognition of the Netherlands East Indies as an independent part of the Kingdom, the center of gravity of the Government being shifted to the Indies themselves;

(b) elevation of the *Volksraad* to the status of a general co-legislative representative body, to be constituted for the greater part by elections;

(c) transference of the Government of the Netherlands East Indies to a Board formed by the Governor-General and the Council of Netherlands India, the former having authority to overrule the latter, and the members of this Governing Body being charged with political control of the general administrative Departments;

(d) limitation of the authority of the Legislative Body in the Netherlands to (i) settlement of questions concerning the Kingdom as a whole, (ii) suspension or annulment of legislative measures adopted in the Netherlands East Indies if contrary to the interest of the State, and (iii) adjustment of disputes in dealing with legislative measures arising between Government and Parliament in the Netherlands East Indies;

(e) transfer, at least in principle, of the right of establishing the budget to the Governor-General and the Representative Body in the Netherlands East Indies under the supervision of the Legislative Body in the Netherlands similar to that mentioned in the preceding paragraph;

(f) formation of all representative bodies, including those in subdivisions of the country, mainly by direct elections and by establishing equal rights for all races, between which, therefore, no distinctions can be made except in the government of purely native communities.

The introduction of these proposals, which, of course, were both warmly defended and, in part, keenly opposed by the conservative element, but which, on the other hand, failed to gain the approval of the extremists, caused the Bill then under preparation in the Netherlands for amendment of the Constitution of the Kingdom to provide for revision of the rules for the governance of the oversea territories of the Netherlands. The Amended Constitution of 1922 has accepted the principle of the autonomy of the Netherlands East Indies, and it presupposes the creation of a representative body to coöperate in legislation. At the same time a decision was reached in principle to limit the authority both of the Legislative Body and of the Government in the Netherlands as regards the affairs of the oversea dominions. Although the formulation of the new articles of the Constitution differed in important respects from the wishes of the Commission of Revision, it left a way for framing rules of government for the Netherlands East Indies which will agree to some considerable extent with the relevant proposals of the Indian Commission. They unmistakably approve the principle—and this is the main point—that the center of gravity of legislation and government should be shifted from the Netherlands to the Indies themselves.

Furthermore, the deletion of phrases reminiscent of the former régime revealed a decision to break unequivocally with the old "colonial" system and to make place for a political organism under which the Netherlands East Indies, like Curaçao and Surinam, should become parts of the Kingdom and enjoy equal rights with the Netherlands.

As compared with the generally progressive principles of the Constitution of the Kingdom, the Constitutional Law of the Netherlands East Indies, which is destined to give effect to these new articles of the Constitution, apparently breathes a somewhat reactionary spirit, as both in matters of legislation and of the budget large prerogatives are still reserved for the authorities in Europe and as the composition of the *Volksraad* has not found the regulation that was desired.

There is, therefore, no question of granting an unrestricted measure of autonomy to the Netherlands East Indies or of giving a voice in public affairs to persons who may be considered representatives of the people in the true sense of the word. As in the case of economic

conditions in the Indies, so in the political sphere, the period of revival of idealism and progressiveness was followed by one of depression.

Those who feel convinced that the evolution of the world cannot be arrested and that it goes on even though it fluctuates, maintain their confidence in the future. They look forward to the time when the vital forces of the Netherlands East Indies will be recognized, and when the authorities established there will really be granted the right to manage their own internal affairs.

To a considerable extent the lack of complete application of the principles of the Constitution has sprung from a want of confidence in the loyalty of the inhabitants of the Netherlands East Indies. Some conservative quarters in the Netherlands feel misgivings regarding the general spreading of slogans, like "Indonesia for the Indonesians," which are heard in certain circles, though by no means everywhere; and there is, in addition, an undoubted desire to maintain the interests of Netherlands capital in the Indies.[5]

The experience of the coming years will show whether there are reasons for such a lack of trust, and whether the desires indicated will best be met in this way. It will show whether they have not a greater claim on our faith who hold that the granting of confidence creates reliability, and that a cordial effort towards association best paves the way by which the Netherlands East Indies will wish to remain consciously what they now are only through interpretation of the law: a loyal part of the Kingdom of the Netherlands. This is certainly not the place to deal in detail with the conflict between the political tendencies indicated above. The struggle which exists here is to be found elsewhere as well, and the difficult problems with which the Government and the legislators of the Netherlands must deal are not limited exclusively to the Netherlands East Indies.

(c) *Defense.*

The thorny question whether it is desirable or necessary to increase the navy in the Netherlands East Indies, a question which is many-sided and influenced not merely by international but also by

[5] An outcome of this mode of thought was private capital's recent creation (in the summer of 1925) of a faculty at the University of Utrecht to train civil servants and judiciary officials for service in the Netherlands East Indies.

national policy, need not be discussed here, although there can be no doubt that the World War has increased the importance of the problem. A navy bill which long occupied public opinion was rejected in 1923, and new measures which are now being prepared have not yet taken definite shape. Nevertheless, the subject of defense has drawn much attention, especially during the War, to one detail: the question of compulsory military service. Liability to this was introduced into the Netherlands East Indies in 1920; but by the regulations of 1923, which are now in force, it is imposed only upon Europeans, not upon natives or foreign orientals.

The tendency towards compulsory military service is in itself a result of the War, which gave rise to the conviction that upon the inhabitants of the country themselves must devolve the duty of defending it against an alien foe in time of need. An energetic propaganda in favor of this view was carried on by an India Committee of Defense,[6] which was composed of representatives of various groups of inhabitants, and which visited the Netherlands in 1916 to promote this principle, meeting with cordial appreciation. It is, however, all the more obvious that there can as yet be no question of imposing compulsory military service on non-Europeans. To a certain degree this is the result of a countermovement which arose in the same year in the Netherlands East Indies, finding its origin within the *Sarekat Islam* and the Indian Social Democratic Union, though their points of view differed. The latter, which then evinced revolutionary tendencies, was decidedly against any arming of the people in government service; the former declared its adherence to the India Defense movement, but was of opinion that decision upon compulsory military service could be made only by a really representative body elected by the people of the Netherlands East Indies, and that the introduction of a militia should be contingent upon granting political rights to the natives. The *Sarekat Islam* adhered to the latter point of view when the general introduction of a militia was discussed during the second session of the *Volksraad* of

[6] In the Explanatory Memorandum regarding the Netherlands East Indian budget for 1917, the Government of the Indies intimated in respect of the India Defense movement that it was, somewhat by chance, the reason why various currents of thought which have existed of recent years among several groups of the population unexpectedly became so perceptible that they were discussed in the associations in which they arose.

1919. They found many supporters, and finally, on January 16, 1920, a motion was passed which meant an advice offered to the Government, according to which the general introduction of compulsory military service, although considered desirable in principle, was to be postponed indefinitely. The question has thus become a political issue which probably will not be decided for some years to come. Since 1916 natives in the Netherlands East Indies may be trained as officers, and if they have received their preparation in the Netherlands, they are on an equal footing with European officers.

In summarizing this chapter we arrive at the following conclusions:

1. Since the Netherlands East Indies were not involved in the War, they experienced no direct social or political consequences of the conflict. None the less indirect results have become manifest in many spheres.

2. National consciousness, already present in germ, has been strengthened during and after the War; and this has led, especially in many native circles, to the opinion that "India for the Indians" or "Indonesia for the Indonesians" is the goal to which they should aspire.

3. In contradistinction with this, both enlightened native and European circles advocate with firm conviction the idea of an association of the various divisions of the people, the leading principle being equal rights for all, irrespective of race. Some hold that in realizing this there should still be a differentiation between the various groups; others maintain the possibility and the desirability that all the inhabitants of the Netherlands East Indies, irrespective of color, race, or religion, shall gradually form an all-Indian nation.

4. Besides the general conception just outlined, there has been an increasing evolution of an ideal of a narrower nationalism to embrace in each case the people of a given area.

5. The recognition of the principle of equality of all groups of the population, progressing socially by their own efforts, has been carried into constitutional effect by a number of regulations, primarily by opening nearly every public function to all Netherlands subjects, by laying equal burdens on all, *i.e.*, by introducing a General Penal Code, etc.

6. Conditions created by the War have influenced the growth of

the aspiration for a large measure of independence and to the granting of autonomy to the Netherlands East Indies. The Netherlands Constitutional Law of 1922 embodied this idea; but the Netherlands East Indian Constitutional Law of 1925, though passed in consequence, has not yet completely realized the principle, and has thus failed to meet the proper aspirations of the Indies. These desires are the more justified because the *Volksraad*, which became a reality in 1918, has conclusively proved that the Netherlands East Indies contain elements which entitle them to a voice in domestic affairs, and that, therefore, the center of gravity of Government and Legislation may safely be shifted from the Netherlands to the colony.

CHAPTER VIII

THE INFLUENCE OF THE WAR ON THE GOVERNMENT BUDGET

Between 1914 and 1925 the public debt of the Netherlands East Indies increased by about 1,125 million guilders, being due to deficits on

	(*in millions of guilders*)
a. Ordinary expenditure	225
b. Extraordinary expenditure	866
c. Expenditure for naval extension	26
d. Expenditure for food	8
Total	1,125

It is surprising, in the first place, that the deficits on ordinary expenditure were so small, for one of 225 million guilders in eleven years of crisis is not disquieting, especially since, as we shall see, these shortages have not been caused by squandering, but have, in the main, been the unavoidable outcome of circumstances, of the means of defense considered necessary, and of the high prices of imported goods. For these reasons the State establishments were not only heavily burdened, as will be especially manifest in the "extraordinary expenditure," but traveling expenses of officials, salaries, clothing, and food for the army, navy, police, and prisons also rose to such an extent that they could not be met entirely by the revenue, though this had likewise increased.

The net ordinary expenditure—*i.e.*, that which remains after deducting the revenue directly connected with it—amounted in 1913 to 166.6 million guilders. If expenditure had been the same in the eleven years following, the total would have amounted to about 1,830 million guilders. As a matter of fact, however, it was 3,800 million guilders, the difference of 1,970 million guilders being the excess of 1913 of the expenditure from 1914 to 1925, inclusive. A large part of this obviously represents a natural increase, for even if no years of crisis had affected the budget of the Netherlands East Indies, between 400 and 500 million guilders of this difference would have been paid out in any event, since the increasing population and the

strong economic development of the colony necessitated an augmented State expenditure. The larger part, however, was due to war influences which have proved to be lasting in nature, inasmuch as the salaries of officials and the cost of materials required by the Government have risen permanently.

If we compare 1913 with the eleven years following, we find that the following items are responsible for the 1,970 million guilders of excess expenditure:

	(in millions of guilders)
Defense (army and navy)	500
Interest and amortization of the Netherlands East Indian debt	380
Extra bonuses, pensions, etc.	270
Traveling expenses of officials	95
Public instruction and worship	180
Justice, police, prisons, etc.	130
Administrative expenditure (including development of regional administration and local autonomy)	170
Civil public works	60
Collection of taxes	45
Agriculture, commerce, and industry	25
Civil medical service	80
Sundries	35
Total	1,970

From these figures we infer that the deficit of 225 million guilders on ordinary State expenditure was due, in the first place, to the extraordinarily high outlays deemed necessary for purposes of defense. In 1921 and 1922, 148 million guilders were appropriated for the army and navy, which in the latter year claimed more than a fourth of the total net State expenditure.

In the second place, the salaries and pensions of officials had to be raised to meet the higher cost of living, this being done at first by extra bonuses, amounting in 1922 to over 50 million guilders. Moreover, the number of officials had greatly increased during the War, mainly owing to the extension of government establishments, and also because the Netherlands East Indies, like Europe during the post-war years, had been permeated by a spirit which manifested itself by a superfluous extension of staffs in various offices. Not only had individual achievement slackened throughout the world, but a

certain carelessness had become customary in spending money because of the billions made available for unproductive military purposes. Before the War a million had been regarded as a large sum, but during the conflict it was considered a mere trifle, so that shipping, commerce, and industry came to spend inordinate amounts, and their example was followed in government offices. Although this tendency was checked in the Netherlands East Indies better than in Europe, the public debt rose rapidly, since the amounts due for interest and sinking fund increased much more than the productive capacity of the works in which the capital had been invested. In several private enterprises it was impossible to make any profit on the capital that had been expended, for the merchandise and real estate which it had purchased had declined in value. Accordingly, the 866 million guilders paid on account of extraordinary expenditure undoubtedly include some hundreds of millions which might have been economized if the works executed had been postponed until more normal times.[1]

On the other hand, it is a question whether in that case the extension of the State enterprises would have been carried into effect, since the years of foolhardiness were followed by others of timidity and pessimism. Since it is now evident that these enterprises will again yield a very reasonable interest in 1926, and since the public debt of the Netherlands East Indies is amply covered by directly productive properties, the expenditure of 866 million, although extremely high, should scarcely be considered a fatal consequence of the War for the colony. By gradually writing off the expensive stocks of materials, this loss will be made good within a few years.

When we trace the details of the expenditure of the 866 million guilders, we find that up to 1924 no less than 380 million guilders were invested in railways and tramways, which is a great deal more than the extraordinary expenditure under this heading during the whole period from 1867 to 1914. A number of new lines were put into operation (1,400 kilometers from 1914 to 1925), some of which paid at once, while others did not, since they were built for military

[1] The material deemed necessary for State railways, telegraphs, and telephones was purchased at very high prices in America and not only arrived, generally speaking, too late, but often proved to be inadaptable to the old material, so that it has recently been stated that useless stocks costing more than 50 million guilders have been stored in the government warehouses.

purposes or to open up special regions; and the rolling-stock was greatly extended. The urgent necessity of this, especially for the transportation of the output of the plantations, was proved by the returns regarding freight-traffic which rose from 385 million tons in 1914 to 670 million in 1921, after which the transportation both of goods and travelers declined in consequence of the depression. Not quite 1 per cent interest could be obtained from the larger capital in 1922, but profits gradually rose after this and were estimated at 4 per cent for 1926. If the endeavors to improve the economic situation of the native population are successful, the railways and tramways will again be able to attain the rate of 1914, 6½ per cent.

Another important item of extraordinary expenditure is for harbor works, channels, and dredging, amounting in all to about 170 million guilders; and the extension of posts, telegraphs, and telephones cost 62 million guilders. This expenditure likewise was made to serve trade and commerce, and hence, primarily, the foreign capital operating in the Netherlands East Indies.

Among the further extraordinary expenses incurred by the Government of the colony we find more than 53 million guilders for improvements and extension of State pawnshops, of over 75 million for other State monopolies, and 60 million for the transfer of private land to the demesne of the State, a step which was of urgent necessity since the owners of that land could exercise an authority which should be only within the right of the Government. The greater part of this extraordinary expenditure has, therefore, been incurred for productive purposes. We may also consider in this category the 20 million guilders allotted since 1918 towards the development of waterpower and electric works. The following may be regarded as less productive expenditure: the building of a cable steamer, improvements of the naval establishment, military engineering, and docks, amounting in all to not more than 15 million guilders. The remaining 31 million guilders were spent on irrigation (22 million) and sanitation (9 million).

These figures reveal a desire for action in general rather than a clearly expressed wish to serve especially the interests of the natives. Development in the occidental sense—*i.e.*, increase of production and of the productive capacity of government establishments—was the main purpose; the special interests of the people (irrigation,

sanitation, popular credit, and native agriculture and industry) show only a very small extraordinary expenditure. Even the system of provisioning the Netherlands East Indies did not cost more than 8 million guilders, for though the Government bought foodstuffs to a total of 341 million guilders, they succeeded in selling them to the people for 333 million. The inhabitants benefited from the State distribution system; they would probably have had to pay still more for their rice if trade had been free in those days, and in some areas a famine would certainly have occurred.

After 1921 both the governments of the Netherlands East Indies and the Supreme Government in the Netherlands felt very anxious regarding the financial position of the colony because of temporary deficits in the ordinary expenditure which looked formidable in 1920-1922 on account of arrears in the collecting of taxes, though these were made good in great part during 1923-1925. The deficits in ordinary expenditure caused retrenchment in all directions, thus unhappily reducing still further the much-needed provision for the economic interests of the native population.

The extent to which the years during and after the War affected the budget for 1926, which was published when the first part of this treatise had already been compiled, may be seen from the following figures:

	Revenue, 1913	*Estimated revenue, 1926*
	(*in millions of guilders*)	
Taxes	103	274
Surplus monopolies	35	52
Surplus products	34	44
Surplus establishments	11	36
Miscellaneous	7	13
Total	190	419

We have seen that extraordinary expenditure for monopolies, government estates, and plantations up to 1925 amounted to 380 million guilders plus 170 million plus 62 million plus 53 million plus 75 million, a total of 740 million guilders; and to this should be added extraordinary expenditure of about 40 million for 1925, making a grand total of 780 million guilders. The surpluses under these headings were estimated for 1926 at 52 million guilders more, or

only 6½ per cent of the increase of capital invested, this relatively small amount being due to the insufficient profits of the harbors and the still modest results of the railways and tramways.

The main increase was one of 171 million guilders in taxation, this being a result of the following additional yields:

	(in millions of guilders)
Import duties	36
Export duties	6
Excise duties (mainly on kerosene oil and matches)	15
Poll tax	8
Ground tax	13
Meat tax	3
Pawnshops	5
Company tax (new tax)	46
Income tax	25
Stamp duties, household tax, etc.	14
Total	171

We need only add that the taxes which have been levied since 1913 upon companies operating in the Netherlands East Indies seem more rational, in view of the profitable nature of those enterprises, than the increased burdens (mainly in indirect forms, such as import and excise duties) imposed on the native population, whose economic power has declined since the year in question. A greater revenue all along the line was, however, deemed necessary in order to balance the budgets. Individuals also are obliged to contribute their share, as may be seen from the fact that at Batavia nearly 4½ per cent had to be paid in 1913 on incomes of 24,000 guilders, whereas the present percentage is almost 9 per cent. For an income of 100,000 guilders the percentages are, respectively, about 5 per cent and 18 per cent.

With regard to government expenditure we may note the following:

	1913	*1926*
	Net ordinary expenditure (in millions of guilders)	*estimate*
Civil service, self-government, judiciary, police, prisons, collection of taxes, pensions, half pay, traveling expenses of officials, and other administrative charges	56	138
Defense	57	109
Interest and sinking fund	4	88
Public instruction	12	36
Civil medical service	6	16
Civil public works	25	17
Fisheries	2	5
Miscellaneous	5	9
Total	167	418

These figures very clearly show the will to overcome the influences of the War by retrenchment in the army and the navy. The expenditures for defense, which have risen considerably, amounting to 146 million guilders in 1921, were reduced to 109 million, which is still nearly double the estimate for 1913, quite apart from the separate outlay for naval expansion, which also demands more than 5 million guilders of ordinary expenditure. The expenditure on civil public works, such as buildings, roads, bridges, etc., fell from 45 million guilders in 1921 to 17 million, or 8 million guilders below the figure of 1913. For public instruction, agriculture, the civil medical service, etc., only the minimum expenditure was appropriated. Under those headings, then, we find an increase which is moderate if we consider the rapid growth of the population and the arrears which must still be made good in many respects.

No economy, however, was possible on the interest and sinking fund of the public debt or on the administrative expenditure. The development of provincial and local government, the various administrative reforms, the extension of government establishments, and the increasing intervention of the State in a large number of new problems and interests had caused a rapid rise in the number of officials. Besides a multitude of functionaries belonging mostly to the lower ranks who are not incorporated in the separate departments and for whom no fixed amount is allocated in the budget, the following were employed in the various government departments: in 1914, 56,000; in 1919, 75,500; and in 1923, over 100,500; but in

1924 the number was reduced to 93,800. It is obvious that it is not primarily the pay of native officials which has caused the item of salaries to become so large. Out of a total of 160,000 officials (and this is not the maximum) nearly 140,000 are natives, and 20,000 are Europeans. Of these 140,000 natives, 117,500 receive not quite 600 guilders per annum, whereas only 65 (the regents) have an annual income of more than 12,000 guilders. Of the 20,000 Europeans, on the other hand, over 750 receive 12,000 guilders and more; over 4,600 draw between 5,000 and 10,000 guilders; and only 630 are in receipt of less than 600 guilders. The average income of the native civil servant is about 650 guilders per annum, and that of his European colleague over five times as much. The traveling expenses for civil servants from and to the Netherlands East Indies rose from about 2,750,000 guilders in 1913 to more than 17 million in 1926.

The mere increase in the number of officials should not be regarded as a result of the War, but its influence is to be seen in the very sudden and rapid augmentation in 1919-1921, when as a reaction from the years of struggle, a hectic activity seized control of mankind. The host of officials has indeed been diminished, but obviously this decrease cannot exercise much effect upon the government policy of economy, so that one can only hope that the future will see a sounder relation between the salaries of those functionaries and the total State expenditure by restricting government interference and by replacing European by native officials.

With regard to the influence of the War on extraordinary expenditure for 1926, we again find a very manifest determination to retrench and to economize. About 40 million guilders have been appropriated for the construction of none but decidedly profitable works; and to this sum must be added 3 million guilders for irrigation which, with another 3 million guilders under various headings, makes a total of 46 million guilders. This is vastly different from 1921, when the extraordinary expenditure was about 190 millions. Thus the level of 1913 has again been reached, when nearly 40 million guilders were appropriated for extraordinary expenditure.

The Government of the Netherlands East Indies still refrains from large expenditures which can afford profit only in the distant future, and it still maintains a very prudent financial policy because of the large consolidated debt which has already been mentioned,

and which means a heavy burden on the budget. In 1926, 88 million guilders were required for interest and sinking fund, and after 1932 another 20 million will have to be found annually for amortization.

The Government is of opinion that taxation should be lowered rather than raised, and hence it considers retrenchment and economy in State expenditure as the only means for permanently balancing the budgets of the Netherlands East Indies and for obliterating the traces of the years of war.

This financial prudence may show thoroughness and caution, but it does not imply deep confidence in the economic development of the colony. Yet this attitude also, we believe, may be regarded, to a certain extent, as a consequence of the War. The world is yet far from calm. The misery of the struggle is still unforgiven, and the international mood is still very irritable. The conflict has not yet been liquidated, debts have not yet been settled, and financial surprises are, therefore, still possible. In nearly all countries various groups are contending for political and economic power, and almost everywhere pessimism, egotism, and timidity reign supreme.

But the world must proceed, and this reaction will, therefore, be followed by renewed activity. Then it will be seen that miracles may yet be wrought in the Netherlands East Indies by a wide and cheerful confidence, first and foremost, in the possibility of raising the productivity and the economic strength of the fifty million Indonesians.

CHAPTER IX

THE NETHERLANDS WEST INDIES

The period between 1914 and 1924 was much calmer for Surinam and Curaçao than for the Netherlands East Indies. Politically and socially there is really very little to report.

The aspiration towards more independence in the settlement of internal affairs becomes manifest in these two oversea provinces only occasionally when the Home Government shows too much interference in West Indian matters, such intervention being possibly due to the fact that, unlike the Netherlands East Indies, Surinam and Curaçao are financially dependent upon the mother country even for their ordinary expenditure.

Since the population of both provinces consists chiefly of colonists, even though for the most part they have been established there for centuries, there is no question of a native movement like the one to be observed in the Netherlands East Indies. Broadly speaking, the West Indian provinces move along lines of steady progress both politically and socially.

The influence of the War on the economic situation of the West Indian colonies differs somewhat from that on the Netherlands East Indies, related in the preceding chapters. As we have seen, the economic importance of those regions is very small as compared with that of the Netherlands East Indies, and is so infinitesimal in respect of the little islands along the northern coast of South America that we need not refer to the consequences of the War in regard to them. Only Surinam, also called Dutch Guiana, will repay closer scrutiny. Surinam, with an area of 160,000 square kilometers, or about four times that of the Netherlands, embraces approximately 99 per cent of the total expanse of the Netherlands West Indies. But this large and fertile region is inhabited by only 135,000 people, 40,000 of whom live in the town of Paramaribo. The aboriginal population of Indians has nearly died out; the Bush Negroes, descended from imported slaves, inhabit the hinterland and support themselves by the chase or by working in the forests. The great majority of the population, who consist of Surinamians, *i.e.*, Creoles and descendants of Netherlandish, German, French, Portuguese, Jewish, and other im-

migrants, besides 1,400 Europeans, live by agriculture and commerce in so far as they are not government officials. The immigrants from British India, engaged originally as coolies for the plantations, apply themselves, like the Javanese, to agriculture on a small scale; the descendants of Europeans, except the farmers, are mainly engaged in large-scale agriculture aided by immigrant labor (Javanese and British Indians, who number about 18,000). In one respect, therefore, there is some similarity between the Netherlands East Indies and Surinam, inasmuch as the prosperity of both is contingent upon agricultural results; but while the former, in addition to the great plantations operated by foreign capital, possesses a very important independent native agriculture, with which the prosperity of the natives is closely interwoven, Surinam stands or falls with the output of the agriculture of the immigrants. In so far as the War raised the prices of products, Surinam reaped the benefit, although not in the same measure as the Netherlands East Indies, where maritime communication with Europe was entirely suspended, various articles of produce, such as cacao and bananas, did not rise in value, and the crops were disappointing. Surinam, on the other hand, suffered more from the difficulties of war. The rise in prices increased the expense of production on the plantations, and the cost of living rose perceptibly; there were grave transport difficulties; and the shortage of labor caused much anxiety.

The annual reports of the Surinam Bank describe the years 1917 and 1918 somewhat as follows:

Until recently the colonial population lived for the greater part on imported food, the Netherlands and the United States being the main sources of supply. The situation, therefore, became very serious when shipping traffic gradually declined and finally ceased almost entirely. A steamer arrived at Paramaribo directly from the Netherlands only twice during 1917 and, on the other hand, only two steamers left the colony for the mother country. The regular sailings of the steamers of the Trinidad Line to New York also ceased in March, and after that, service was maintained as well as possible by only a couple of steamers of the Royal West Indian Mail.

In 1918, when this company had lost several ships and others had been commandeered by the Allies, maritime communication with the Netherlands ceased entirely, though one of their boats managed to arrive at Paramaribo with a cargo of American provisions nine times

in twelve months. Obviously the cost of provisions was bound to rise considerably, and it is not surprising that the poorer classes in particular experienced great difficulties, although the Colonial Government did everything possible to relieve the situation.

With regard to the labor problem, it appears that only 1,188 of the 1,800 immigrants applied for reached the colony in 1917, and that in 1918 but 1,178 coolies entered from Java instead of the 3,200 desired. Moreover, the cost of transport of immigrant labor increased considerably, so that whereas this had amounted in 1916 to 156 guilders per coolie for the entrepreneur, who paid three-fifths of the transportation, it rose to about 300 guilders in 1917, thus seriously adding to the operating expenses of the estates.

To crown all, many contract laborers whose term had expired transferred their energies to small-scale cultivation, which was thriving because of the scarcity of food. Hence the large plantation enterprises in Surinam were at last gravely affected by the War. According to the report of a commission of inquiry which visited the colony in 1919, the growing of sugar cane was necessarily restricted, the development of the promising cultivation of Liberia coffee was languishing, working costs were mounting, and planting could not be adequately done, so that in 1919 many estates were thickly overgrown with weeds.

These consequences were especially serious for Surinam since the economic situation of the colony had been far from satisfactory even before the War. For many years it has been an impoverished colony, unable to cover the expenses of administration without a subsidy from home, and for years, with a few exceptions, the large-scale plantation enterprises have led a troubled and difficult existence. One of the main reasons for this is the scarcity of labor. When more than 33,000 slaves were emancipated in 1863, no adequate measures were taken to fill the shortage of plantation-hands that might have been expected, and even afterwards energetic measures for immigration and colonization were neglected.

The course which should have been pursued is shown by the neighboring colony of British Guiana, where, since the abolition of slavery, about 340,000 contract laborers have been imported as contrasted with approximately 60,000 in Surinam. The languishing state of the Surinam plantations is also due to other causes, such as their owners' lack of capital and individual errors, but all this is

outside the scope of our survey. We may, however, be permitted to remark that many are optimistic regarding the future of Surinam since they expect that the Home Government, guided by a number of reports issued by commissions of inquiry and driven by constantly growing subsidies, will at last proceed to raise the colony from its backward situation. The means are well-known: immigration, irrigation, colonization, sanitation, road-building, education, agricultural instruction, etc. On the other hand, the capital required for opening up and developing the country is not yet available; but this condition may be attributed in part to the pessimism of the Home Government, though the War is also responsible to some extent, since the attention of the State was too much taken up by domestic cares. If, however, a general improvement in conditions enables the Surinam enterprises to show by their annual reports that their plantations are profitable, foreign private capital will surely become interested in the colony. The United States, which has been brought by the War into very close commercial connections with Surinam, has already shown its readiness to invest considerable sums in Surinam's agriculture and mining.

Turning now to the imports and exports of Surinam, we find that the value of the former was 7.1 million guilders in 1913 and 7.9 million in 1923, the chief articles being textiles, foodstuffs, agricultural implements, etc. When we remember that the prices of goods were higher in 1923 than in 1913, we see that there was evidently a decline in imports. Exports in 1913 were valued at 9.4 million guilders and in 1923 at 8.4 million; and though the former year was very favorable as regards output, these figures show that the exports of Surinam have likewise fallen.

The following table indicates the decline in various products, although this phenomenon should not be attributed entirely to the consequences of the War:

	1913	*1923*
Sugar	10,000 tons	9,000 tons
Cocoa	1,500 tons	1,400 tons
Rum	982,000 liters	196,000 liters
Balata	1,200 tons	800 tons

On the other hand, the mining of bauxite has become an important branch of activity during the last decade, 12,000 tons being

shipped in 1923. The export of gold, however, has declined from 858 kilos in 1913 to 365 in 1923. Exports of coffee rose more than 1,300 tons, amounting to 2,900 tons in 1923, and shipments of timber measured about 4,000 cubic meters in the same year.

The chief exports in 1913, 1918, and 1923 were as follows:

	1913	*1918*	*1923*	
	(*in millions of guilders*)			
The Netherlands	3.7	....	2.8	(coffee, sugar, bananas, etc.)
United States	3.4	2.8	2.	(cocoa, sugar, gold, etc.)
Great Britain	1.1	.1	1.8	(mostly balata)
British Guiana	.8	3.2	1.15	(mostly sugar)

Exports to the Netherlands, therefore, have declined by 7 per cent, and to the United States by 12 per cent, whereas to British Guiana they have risen by over 5 per cent, and to Great Britain by nearly 10 per cent. Exports to French Guiana have also increased considerably.

Imports come for the most part from the following countries:

	1913	*1918*	*1923*
	(*in millions of guilders*)		
The Netherlands	3.98	.018	3.3
United States	1.66	3.2	2.6
British Guiana	1.	2.3	1.2

The balance of the imports have their origin in Great Britain, France, French Guiana, etc.

The Netherlands has evidently lost 10 per cent, which was gained entirely by the United States. Unless the financial capital and the merchants of the Netherlands take a greater active interest in the West Indian colonies, the trade of Surinam will be diverted more and more to the surrounding regions and the United States.

The War has affected the budget in Surinam as everywhere else, but since the total amounts for this colony have never been large, the adverse influence is relatively small. With the exception of the rise in salaries, pensions, etc., because of the increased cost of living, the general extension of expenditure is not due to the War. The comparatively small increment of revenue has caused the annual subsidy from the mother country to rise from approximately 800,000 guilders to about 2.5 million.

In 1913 the ordinary expenditure of Surinam amounted to some 3.8 million guilders, 3 million of which were covered by taxation and other colonial sources; for 1926, this expenditure is estimated at about 6.8 million guilders, of which 4.3 million are supplied from colonial sources.

CHAPTER X

CONCLUSIONS

1. Foreign (*i.e.*, non-native) capital operating in the Netherlands East Indies has made large profits because of the War; but although these have somewhat benefited the economic development of the country and of its native population, they have in great part been paid to shareholders living abroad.

2. The important rôle played by the Netherlands as a market for East Indian products and as an intermediary for the export of European manufacturers has been lost to a considerable extent, and has been replaced by more direct trade between the countries of origin and those of destination. Japan, the United States, and Australia have obtained a considerable share of the commercial traffic with the Netherlands East Indies at the expense of Europe.

3. The influx of foreign capital for the establishment of new enterprises in the Netherlands East Indies has temporarily decreased, and has thus hampered the economic development of the Outer Possessions.

4. The economic situation of the native population has been seriously weakened by increased prices of imported goods, higher direct and indirect taxation, and insufficient provision for their economic interests.

5. The years of war have adversely affected State finance, though this situation does not seem to be irretrievable. It has not injured the credit of the Netherlands East Indies and has not impaired the gold-value of their exchange.

6. The War has contributed towards the strengthening of a national consciousness which had already been awakened in the Netherlands East Indies, and it has greatly affected the growth and the activity of trade unions, while the economic conflict between employer and employed has been accentuated by the influence of nationalist and communist tendencies.

7. The independent action forced upon the Netherlands East Indian Government by the War gave rise to a general aspiration for a larger measure of independence from the Home Government. The justice of this desire was recognized in the revision of the Con-

stitutional Law of 1922, but the reaction which has occurred in the meantime has disappointed expectations in this regard.

8. The evolution of the Netherlands East Indies since the War has moved both intellectually and economically towards a more obvious tendency to loosen the ties with the West and towards closer contact with the development of the countries around the Pacific Ocean.

9. As regards the Netherlands West Indies, the development of agriculture and mining has suffered seriously from the conditions of the War.

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